

FIGHTING FRAUD AGAINST THE ELDERLY, AN UPDATE

HEARING BEFORE THE SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND TRADE OF THE COMMITTEE ON ENERGY AND COMMERCE HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS

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FIGHTING FRAUD AGAINST THE ELDERLY, AN UPDATE

FRIDAY, OCTOBER 23, 2015

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMERCE, MANUFACTURING, AND
TRADE,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The subcommittee met, pursuant to call, at 9:16 a.m., in room 2123 of the Rayburn House Office Building, Hon. Michael C. Burgess (chairman of the subcommittee) presiding.

Members present: Representatives Burgess, Lance, Harper, Guthrie, Kinzinger, Bilirakis, Brooks, Mullin, Schakowsky, Kennedy, Butterfield, and Pallone (ex officio).

Staff present: Leighton Brown, Press Assistant; James Decker, Policy Coordinator, Commerce, Manufacturing, and Trade; Andy Duberstein, Deputy Press Secretary; Graham Dufault, Counsel, Commerce, Manufacturing, and Trade; Melissa Froelich, Counsel, Commerce, Manufacturing, and Trade; Paul Nagle, Chief Counsel, Commerce, Manufacturing, and Trade; Olivia Trusty, Professional Staff Member, Commerce, Manufacturing, and Trade; Dylan Vorbach, Legislative Clerk; Michelle Ash, Democratic Chief Counsel, Commerce, Manufacturing, and Trade; Jeff Carroll, Democratic Staff Director; Diana Rudd, Democratic Legal Fellow; and Ryan Skukowski, Democratic Policy Analyst.

Mr. BURGESS. The Subcommittee on Commerce, Manufacturing, and Trade will now come to order. And the Chair recognizes himself for 5 minutes for the purpose of an opening statement.

OPENING STATEMENT OF HON. MICHAEL C. BURGESS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

First, let me welcome our witnesses. This morning we will receive an update on the consumer protection efforts in place to address the fraud risk for America's seniors. As of July 2013, there are over 44 million Americans who are older than 65. That is almost 14 percent of the population. The population 65 and older, in the United States, projects to outnumber people younger than 18 for the first time in 2033, a mere 18 years from now. The median income of these households is over \$35,000 per year, and 71 percent report having a computer in their home.

The median net worth of seniors 65 and over is 25 times that of people under 35 years of age. The expanding population of older Americans and their relative wealth compared to other age groups increases the risk that someone will want to target them in scams.

New technologies are everywhere. Each week a new smartphone or tablet is announced. New apps with new capabilities keep cropping up. Keeping up with new technology can be a challenge, particularly for seniors that are less familiar with technology or are retired and are not exposed to new technology at the workplace.

The risk of fraud cannot be underestimated. In the November issue of Consumer Reports, eight brave seniors came forward to tell their stories about being defrauded; in some cases, out of thousands of dollars, sometimes just in a matter of hours. This is all before family or law enforcement could be notified or intervene.

While fraud perpetrated by strangers against the elderly is not the only type of abuse against the elderly, it does represent 50 percent of the reported cases. That is why the hearing today is so important. Even where there is no silver bullet, it is critically important for the subcommittee to understand what Government agencies, what the media, what universities, and what private groups are doing, to empower seniors to protect themselves for fraud and to help them recoup losses if they are targeted. And we need to figure out how our enforcement agencies can devote more resources to the problem. There are few more important issues when it comes to fraud and consumer protection.

[The prepared statement of Mr. Burgess follows:]

PREPARED STATEMENT OF HON. MICHAEL C. BURGESS

Good morning. This morning we will receive an update on the consumer protection efforts in place to address fraud risks for America's seniors.

As of July 2013, there are 44.7 million Americans 65 and older—over 14 percent of the population. The population 65 and older in the U.S. projects to outnumber people younger than 18 for the first time in 2033—in 18 years.

The median income of these households is over \$35,000, and 71 percent report having a computer in their home. The median net worth of seniors 65 and over is 25 times that of people under 35 years old. The expanding population of older Americans and their relative wealth compared to other age groups, increases the risk that fraudsters will target them in their scams.

New technologies are everywhere. Each week a new smartphone or tablet is announced with new Apps and new capabilities. Keeping up with new technology can be a challenge, particularly for seniors that are less familiar with technology or are retired and not exposed to new technology at work.

The risk of fraud cannot be underestimated. In the November issue of Consumer Reports, eight brave seniors came forward to tell their story about being defrauded—in some cases out of thousands of dollars in a matter of hours—before family or law enforcement were notified.

While fraud perpetrated by strangers against the elderly is not the only type of abuse against the elderly, it does represent 50 percent of reported cases. This is why the hearing today is so important. Even where there is no silver bullet, it is critically important for the subcommittee to understand what Government agencies, the media, universities, and private groups are doing to empower seniors to protect themselves from fraud and help them recuperate losses if they are duped by criminals. And we need to figure out how our enforcement agencies can devote more resources to this problem. There are few more important issues when it comes to fraud and consumer protection.

Mr. BURGESS. The Chair now recognizes the subcommittee ranking member, Ms. Schakowsky, for 5 minutes for an opening statement, please.

**OPENING STATEMENT OF HON. JANICE D. SCHAKOWSKY, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLI-
NOIS**

Ms. SCHAKOWSKY. Thank you, Mr. Chairman, for holding this hearing on preventing fraud against seniors. I really appreciate the focus on this topic. I look forward to hearing from our witnesses. I want to particularly thank a fellow Chicagoan, Robert Harris, for being here. Mr. Harris is the Cook County public guardian, and he is leading the fight to protect the elderly against fraud and deception in my hometown.

As a long time consumer advocate, and now the co-chair of the Congressional Task Force on Seniors, for the Democratic Caucus, I am committed to ensuring that seniors benefit from strong consumer protections. More now than ever this subcommittee ought to be helping, and we are beginning that process today, to ensure that elderly Americans are protected against fraudsters.

Seniors represent the fastest growing segment of our population. Since 2000 the number of seniors has grown about 30 percent while the population overall just increased 10 percent. More than one in four seniors who lives alone has difficulty with activities of daily living or some cognitive impairment.

According to the FBI, seniors generally have higher net worth, a tendency to be trusting, and are less likely to report fraud. All of this makes the elderly prime targets. We have seen an uptick in the number of products and services that are targeted toward the elderly, including anti-aging products, health-related products, prize promotions, and reverse mortgages. I am incredibly concerned about the risks posed by those products and services. Not necessarily that all of them are fraudulent, but that we need to be careful.

I want to know what trends our witnesses are seeing, hear their policy and public engagement prescriptions for combatting fraud, and learn how we can help you in protecting the elderly.

I would also like to say that if this Congress is truly committed to rooting out senior fraud, we should start by providing adequate funding to the CFPB, the Consumer Financial Protection Bureau, the Federal Trade Commission, and other agencies responsible for protecting seniors. Stopping fraud should not come at the cost of adequately overseeing financial services, industries, appropriately monitoring corporate data security, and privacy policies.

Yet, unfortunately, the Republican budget would eliminate mandatory funding for the Customer Financial Protection Bureau, and cut funding for the FTC more than 3 percent from the previous year. With those entities responsible for protecting more seniors from more threats each year, it is hard to see how that's proposals are anything but anti-senior. I hope this hearing is the beginning of a collaborative process that will yield real benefits to senior citizens. Our senior population and their families deserve no less.

Again, I thank the witnesses for appearing today. I thank the chairman for this hearing, and I look forward to gaining from your insights.

Mr. BURGESS. Does the gentlelady yield back?

Ms. SCHAKOWSKY. And I yield back.

Mr. BURGESS. The gentlelady yields back. The Chair thanks the gentlelady.

The Chair asks if there are other Members on the Republican side who seek time for an opening statement.

We will temporarily conclude with Members' opening statements. There may be additional Members on either side that may yet arrive at the committee, and we would like to give them time. Because we do know there is another subcommittee hearing going on this morning and people are toggling in between.

For the Members who are here, the Chair reminds Members that pursuant to committee rules, all Members' opening statements will be made part of the record. To be respectful of everyone's time, the Chair, then, is pleased to recognize the ranking member of the full committee, Mr. Pallone, 5 minutes for the purpose of an opening statement.

Mr. PALLONE. Oh, you shouldn't wait for me, Mr. Chairman.

Mr. BURGESS. So noted. It will never happen again.

Mr. PALLONE. Seriously, you shouldn't.

OPENING STATEMENT OF HON. FRANK PALLONE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

I want to thank you and the ranking member for holding today's hearing on ways to protect our seniors from fraud.

As we have seen far too often each year, fraud affects consumers of all ages, and the perpetrators of scams remain highly adept at avoiding the consequences of their criminal acts. Seniors, however, are a fast growing segment of our population and the threats to their financial security, can mean billions of dollars in stolen assets if we let them fall prey to scammers.

Today's seniors are living longer, more active lives and possess greater wealth than previous generations of seniors. These are obviously encouraging trends, but also represent opportunities for abuse to occur. Seniors are inundated with advertisements that promote fraudulent work-from-home arrangements, computer repair, anti-aging products, and many others. They are also targeted disproportionately for certain scams like those involving prize promotions, health-related products and services, and reverse mortgages.

In addition, more active lives increasingly means active on the Internet where a significant number of scams originate, according to the FTC. Moreover, certain types of harassment such as being constantly bombarded with telemarketing scams and feeling the need to stop answering the phone, can lead to feelings of isolation for our seniors. Most troubling, we also are seeing a rise in abuse, particularly financial in nature, committed by those closest to seniors, including family, friends, caregivers. Or other trusted advisors. Seniors who are victimized are often hesitant to report crimes to law enforcement either out of embarrassment or fear of retribution from their abuser. Others may simply be unaware of a crime committed against them.

A number of Federal agencies stand ready to assist State and local services in combatting fraud against seniors. The FTC and the Consumer Financial Protection Bureau both play a key role in col-

lecting data, educating consumers, and taking enforcement actions against the perpetrators of financial exploitation. And as often is the case, much of the day-to-day fighting against fraud is occurring at the State and local levels.

I look forward to hearing from those witnesses today about what is working and where we can improve our response to fraud against seniors. Our seniors and the savings they have worked so hard build over the course of their lives are at stake. And some seniors have seen their nest eggs wiped away, never to return. We need to ensure that all levels of Government are doing what they can and have the tools they need to prevent these devastating scenarios. We owe this commitment to our seniors.

I just wanted to say, when I graduated from law school, for a couple years I was actually—I worked for an agency in New Jersey called Protective Services for the Elderly. And when I was in the State legislature, we actually put together a bill that Governor Cane, who was a Republican signed, that basically set up a program protecting the elderly from fraud and abuse. So I am particularly—I haven't really been involved as directly since then. That is a long time ago. But it is always something that I worry a great deal about and I was actually involved with on a day-to-day basis.

So thank you, Mr. Chairman.

Mr. BURGESS. The gentleman yields back. The Chair thanks the gentleman.

Now, we will turn to our witnesses. We do want to thank them for being here with us this morning and taking time to testify before this subcommittee.

Today's hearing will consist of two panels. Each panel of witnesses will have an opportunity to give an opening statement, followed a round of questions from Members. Once we conclude with questions of the first panel, we will take a brief recess to set up for the second panel.

Our first witness panel for today's hearing includes Mr. Daniel Kaufman, Deputy Director of the Bureau of Consumer Protection at the Federal Trade Commission; Ms. Stacy Canan, Deputy Director of the Office of Financial Protection for Older Americans at the Consumer Financial Protection Bureau; and Mr. Robert F. Harris, Public Guardian of Cook County, Illinois.

We appreciate all of you being here today, and we will begin the panel with you, Mr. Kaufman. You are recognized for 5 minutes for an opening statement, please.

STATEMENTS OF DANIEL KAUFMAN, DEPUTY DIRECTOR, BUREAU OF CONSUMER PROTECTION, FEDERAL TRADE COMMISSION; STACY CANAN, DEPUTY ASSISTANT DIRECTOR, OFFICE OF FINANCIAL PROTECTION FOR OLDER AMERICANS, CONSUMER FINANCIAL PROTECTION BUREAU; AND ROBERT F. HARRIS, PUBLIC GUARDIAN, COOK COUNTY, ILLINOIS

STATEMENT OF DANIEL KAUFMAN

Mr. KAUFMAN. Thank you. And good morning, Dr. Burgess, Ranking Member Schakowsky, and members of the subcommittee. I am Daniel Kaufmann, Deputy Director of the Bureau of Consumer Protection at the Federal Trade Commission. And I am de-

lighted to appear before you to provide an overview of the fraud threats to older Americans, and the FTC's actions to address them.

Combatting fraud is a critical component of the FTC's consumer protection mission, and virtually every law enforcement case that we bring affects older Americans. We have adopted a multifaceted approach in our battle against fraud that targets older consumers or injures them more than others. And that includes aggressive law enforcement, policy initiatives, and consumer education and outreach.

To address such fraud effectively, the FTC monitors fraud trends by examining data gathered from consumer complaints and surveys, and collaborating with others in law enforcement, industry, academia, and legal services.

Through our extensive law enforcement experience and efforts to track fraud trends, we have identified practices affecting seniors in several discrete areas. And our consumer complaint data shows that for 2015, older Americans complained primarily about Government and business imposter scams, telemarketing, technical support scams, and sweepstakes and lottery scams.

While our consumer survey shows that older Americans are not necessarily more likely to be defrauded than younger consumers, the FTC has nevertheless focused on scams involving seniors. For example, in recent years, we have concentrated our law enforcement efforts on technical support and healthcare-related scams. Fraudsters frequently claim affiliation with well-known businesses or Government agencies to build trust with consumers, and often use robocalls and spoof caller IDs to reach as many people as possible.

In the last year, the FTC has filed three cases against defendants engaged in technical support scams where con artists tricks consumers into purchasing technical support services and products, purportedly to fix problems on their computers. In fact, the computer problems are nonexistent and the defendants have caused millions of dollars in injury to older consumers. The FTC's actions are crucial in halting these practices.

Similarly, the FTC has filed multiple cases against fraudsters that have used deceptive practices to sell healthcare-related products and services to older Americans, such as medical alert systems, pharmaceutical benefits, and fake information regarding Medicare benefits. In all of these cases, the fraudsters pretended an affiliation with a consumer's friend or family member or with a well-known bank or Government agency in order to gain consumers' trust.

Our law enforcement efforts have banned defendants from telemarketing, making robocalls, selling healthcare-related products or debiting bank accounts, and we have recovered money for consumers.

We have also sued money transfer services that are commonly used in scams that target older Americans. And our coordination with State, Federal, and international partners is as strong as ever. Indeed, some of the individuals sued by the FTC for defrauding elderly consumers have been prosecuted criminally.

Finally, consumer education and outreach are indispensable. In 2014 we launched an innovative and successful education effort

called Pass It On that is aimed at older active consumers. Pass It On arms seniors with important information regarding topics such as imposter and healthcare scams, charity fraud, and identity theft that they can pass on to family and friends who might need it.

The FTC has an ongoing and sustained commitment to protecting older Americans by pursuing robust law enforcement, important policy work, and innovative consumer education and outreach.

I look forward to any questions you may have.

[The prepared statement of Mr. Kaufman follows:]

**Prepared Statement of
The Federal Trade Commission**

**Before the
Subcommittee on Commerce, Manufacturing, and Trade
of the
House Energy and Commerce Committee**

on

Fighting Fraud Against the Elderly, An Update

**Washington, DC
October 23, 2015**

Dr. Burgess, Ranking Member Schakowsky, and members of the Subcommittee, I am Daniel Kaufman, Deputy Director of the Bureau of Consumer Protection at the Federal Trade Commission (“Commission” or “FTC”).¹ I appreciate the opportunity to appear before you today to provide an overview of current fraud trends affecting older Americans² and the Commission’s actions to address them.

Combating fraud is a critical component of the FTC’s consumer protection mission. All consumers are potential fraud targets, and older Americans are not necessarily defrauded at higher rates than younger consumers.³ However, certain types of scams are more likely to impact older Americans, such as imposter schemes purporting to provide technical support to “fix” non-existent computer problems or scams relating to health care. As the population of older Americans grows rapidly, the FTC’s efforts to recognize these trends, bring aggressive law enforcement action, and educate seniors become increasingly vital.⁴

The Commission has taken a multi-faceted approach that encompasses robust law enforcement, strategic policy proposals, and vigorous consumer education and outreach. This

¹ The views expressed in this statement represent the views of the Commission. My oral presentation and responses to questions are my own and do not necessarily reflect the views of the Commission or any individual Commissioner.

² References in this testimony to “seniors,” or “older” or “elderly” individuals, means the population 65 years and over, unless noted otherwise.

³ The FTC’s third consumer fraud survey revealed that the overall rate of victimization for consumers 65 and older was significantly lower than for younger consumers. Fed. Trade Comm’n Bureau of Economics Staff Report, *Consumer Fraud in the U.S., 2011*, at 56-59 (Apr. 2013), available at <https://www.ftc.gov/reports/consumer-fraud-united-states-2011-third-ftc-survey> (last visited Oct. 13, 2015).

⁴ In its 2014 report, the U.S. Census Bureau stated that by 2050, it projects the population over 65 to be 83.7 million, nearly double the estimated population of 43.1 million in 2012. By 2030, the U.S. Census Bureau also anticipates that more than 20 percent of U.S. residents will be over the age of 65, compared to 13 percent in 2010 and 9.8 percent in 1970. See Jennifer Ortman, Victoria Velkoff, & Howard Hogan; U.S. Department of Commerce, U.S. Census Bureau, *An Aging Nation: The Older Population in the United States*, at 1-3 (May 2014), available at <https://www.census.gov/prod/2014pubs/p25-1140.pdf>.

testimony describes the current threat landscape, and then outlines the Commission's various initiatives to protect older Americans.

I. Current Threats to Older Americans

Virtually every law enforcement case that the Commission brings affects some seniors, and certain types of scams appear to target seniors specifically. The threats to seniors range from illegal telemarketing and online scams to identity theft. To identify and analyze trends, the FTC assesses the marketplace in numerous ways: by tracking consumer complaints; examining empirical data gathered from surveys;⁵ and investigating information obtained from collaboration with law enforcement partners, consumer groups, industry members, academics, and others. In addition, the FTC hosts Common Ground conferences around the country with state law enforcement partners and legal services advocates to help identify frauds affecting consumers in different communities and highlight research on successful interventions.⁶ For example, the FTC hosted a workshop entitled "Fraud Affects Every Community." The workshop brought together consumer advocates, state and federal regulators, fraud prevention experts, industry members, and academics to explore frauds affecting particular groups, including older adults.⁷

⁵ Fed. Trade Comm'n Bureau of Economics Staff Report, *Consumer Fraud in the U.S.*, 2011, at 59 (Apr. 2013), available at <https://www.ftc.gov/reports/consumer-fraud-united-states-2011-third-ftc-survey> (last visited Oct. 13, 2015).

⁶ The FTC has hosted 30 Common Ground conferences since 2010. See Fed. Trade Comm'n, Common Ground Events Calendar, available at <http://www.consumer.gov/content/common-ground-events-calendar> (last visited Oct. 13, 2015). The most recent conference took place in Salt Lake City, Utah on October 22, 2015 where the FTC co-hosted the event with the Utah Division of Consumer Protection. See Utah Consumer Protection Summit (Oct. 22, 2015), available at <https://www.ftc.gov/news-events/events-calendar/2015/10/utah-consumer-protection-summit> (last visited Oct. 13, 2015).

⁷ Press Release, Commission Announces Workshop to Explore How Fraud Affects Different Communities (Sept. 9, 2014), available at <https://www.ftc.gov/news-events/press-releases/2014/09/commission-announces-workshop-explore-how-fraud-affects-different>.

Through these efforts and our law enforcement experience, the Commission has identified fraudulent practices in the marketing of several types of products to seniors including: (1) sweepstakes, prize promotions, and lotteries;⁸ (2) timeshare sales and re-sales;⁹ (3) health care products and services;¹⁰ (4) investments, business opportunities, and work-from-home programs;¹¹ (5) technical support services;¹² and (6) charitable donations.¹³

In addition, the Consumer Sentinel Complaint database—an online database of complaints maintained by the Commission—shows that in 2014 consumers age 60 and older

⁸ See, e.g., *FTC v. Mail Tree, Inc.*, No. 15-CV-61034-JIC (S.D. Fla. May 21, 2015), available at <https://www.ftc.gov/enforcement/cases-proceedings/142-3068/mail-tree-inc>. The FTC's third consumer fraud survey revealed that consumers between the ages of 65 to 74 years of age were more likely to be victims of fraudulent prize promotions than younger consumers. Fed. Trade Comm'n Bureau of Economics Staff Report, *Consumer Fraud in the U.S., 2011*, at 59 (Apr. 2013), available at <https://www.ftc.gov/reports/consumer-fraud-united-states-2011-third-ftc-survey> (last visited Oct. 13, 2015).

⁹ See, e.g., *FTC v. Consumer Collection Advocates, Corp.*, No. 14-CV-62491-BB (S.D. Fla. Nov. 20, 2014), available at <https://www.ftc.gov/enforcement/cases-proceedings/142-3082/consumer-collection-advocates-corp>.

¹⁰ See, e.g., *FTC v. Lifewatch, Inc.*, No. 15-CV-05781 (N.D. Ill. July 6, 2015), available at <https://www.ftc.gov/enforcement/cases-proceedings/142-3123/lifewatch-inc>; *FTC v. Sun Bright Ventures LLC*, No. 14-CV-02153-JDW-EAJ (M.D. Fla. Oct. 2, 2014), available at <https://www.ftc.gov/enforcement/cases-proceedings/132-3217/sun-bright-ventures-llc-gmy-llc>.

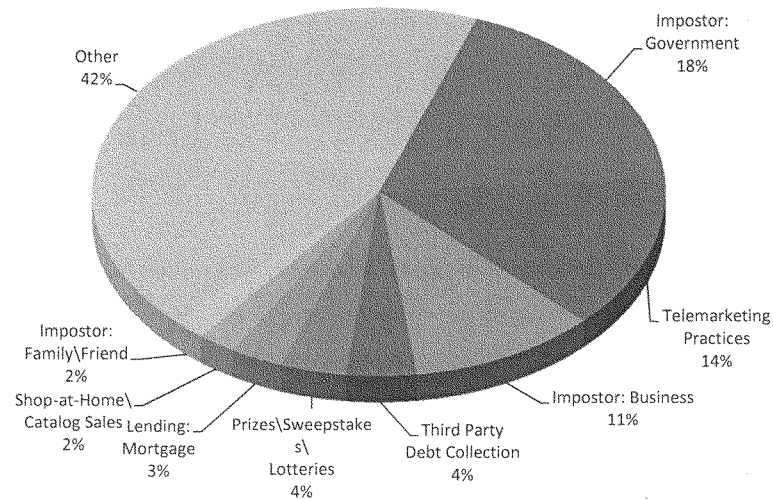
¹¹ See, e.g., *FTC v. Consumer Collection Advocates, Corp.*, No. 14-CV-62491-BB (S.D. Fla. Nov. 20, 2014), available at <https://www.ftc.gov/enforcement/cases-proceedings/142-3082/consumer-collection-advocates-corp>; *FTC v. The Tax Club*, No. 13-CV-210 (S.D.N.Y. Jan. 9, 2013), available at <https://www.ftc.gov/enforcement/cases-proceedings/122-3071/tax-club-inc-et-al>; *FTC v. American Bus. Builders, LLC*, No. 13-CV-02368 (D. Ariz. Nov. 6, 2012), available at <https://www.ftc.gov/enforcement/cases-proceedings/122-3191/american-business-builders-llc-et-al>; *FTC v. Real Wealth, Inc.*, No. 10-CV-00060 (W.D. Mo. Jan. 21, 2010), available at <https://www.ftc.gov/enforcement/cases-proceedings/092-3207/real-wealth-et-al>.

¹² See, e.g., *FTC v. Boost Software, Inc.*, No. 14-CV-81397 (kir) (S.D. Fla. Nov. 19, 2014), available at <https://www.ftc.gov/enforcement/cases-proceedings/132-3283/boost-software-inc>; *FTC v. Inbound Call Experts, Inc.*, No. 14-CV-81395 KAM (S.D. Fla. Nov. 19, 2014), available at <https://www.ftc.gov/enforcement/cases-proceedings/132-3135/inbound-call-experts-llc>; *FTC v. Pairsys, Inc.*, No. 14-CV-1192 TJM-CFH, (N.D.N.Y. Oct. 24, 2014), available at <https://www.ftc.gov/enforcement/cases-proceedings/142-3099/pairsys-inc>.

¹³ See, e.g., *FTC v. Cancer Fund of Am., Inc.*, CV15-884 PHX NVW (D. Ariz. May 19, 2015), available at <https://www.ftc.gov/enforcement/cases-proceedings/122-3005/cancer-fund-america-inc>.

complained primarily about: telemarketing calls; government, business, and friend imposter scams; third-party debt-collectors; prizes/sweepstakes/lotteries; and shop-at-home sales.¹⁴

Figure 1: Top Product Service Codes for Consumers Age 60 and Over in Consumer Sentinel Network Complaints January 1 - December 31, 2014¹⁵



In response to these trends, the FTC has focused its efforts on three fronts described below: (1) law enforcement targeting specific types of fraudulent schemes and payment mechanisms; (2) policy proposals to limit the use of payment mechanisms that enable the quick

¹⁴ In calendar year 2014, the Consumer Sentinel Network received 2,296,377 complaints (excluding identity theft and do-not-call complaints). In 35% of those complaints (or 794,668), consumers reported their age. For information regarding the Consumer Sentinel Network, see <https://www.ftc.gov/enforcement/consumer-sentinel-network> (last visited Oct. 13, 2015).

¹⁵ Percentages are based on the 217,017 consumers who reported their age of 60 and over. These figures exclude Do Not Call registry and identity theft complaints. Note: The section of the chart labeled "Other" represents complaints regarding over 100 other types of products, such as counterfeit checks, credit cards, unsolicited emails, advance-fee loans and credit arrangers, and spyware/adware/malware.

and irretrievable transfer of money to a fraudster; and (3) clear messages to help older Americans avoid common fraud schemes.

II. Law Enforcement

Aggressive law enforcement is crucial to the FTC's efforts to protect older Americans. Since 2005, the Commission has brought over thirty cases against fraudsters who have specifically injured that population. Although scams targeting older Americans are diverse and have ranged from sweepstakes to business opportunities, the FTC has in recent years concentrated its law enforcement efforts on online threats and health care.¹⁶ In these scams, fraudsters frequently invoke affiliation with legitimate and well-known businesses or government agencies in an attempt to gain consumers' trust. As demonstrated by Consumer Sentinel complaint data, these tactics have become increasingly popular.¹⁷ The FTC also has pursued actions related to the money transfer services that are commonly used in scams affecting older adults and coordinated efforts with criminal law enforcement to achieve a broader impact.

¹⁶ See Fed. Trade Comm'n, Prepared Statement of the Federal Trade Commission on Elder Fraud and Consumer Protection Issues Before the Subcommittee on Commerce, Manufacturing, and Trade of the Committee on Energy and Commerce, United States House of Representatives, at 9-10 (May 16, 2013), available at <https://www.ftc.gov/public-statements/2013/05/prepared-statement-federal-trade-commission-elder-fraud-and-consumer>.

¹⁷ As demonstrated by the chart below, the number of reported imposter scams has more than tripled since 2012. Press Release, FTC Releases Top 10 Complaint Categories for 2012 (Feb. 26, 2013), available at <https://www.ftc.gov/news-events/press-releases/2013/02/ftc-releases-top-10-complaint-categories-2012>; Press Release, FTC Announces Top National Consumer Complaints for 2013 (Feb. 27, 2014), available at <https://www.ftc.gov/news-events/press-releases/2014/02/ftc-announces-top-national-consumer-complaints-2013>; Press Release, Identity Theft Tops FTC's Consumer Complaint Categories Again in 2014 (Feb. 27, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/02/identity-theft-tops-ftcs-consumer-complaint-categories-again-2014>.

Year	Number of Complaints	Percent of All Complaints
2012	82,896	4%
2013	121,720	6%
2014	276,662	11%

A. Online Threats

With the explosion of technological developments, the online space is ripe for fraud against older Americans. Technical support scams are a particularly prevalent online threat. A typical technical support scam begins with the words “There is a problem with your computer. I will help you fix it.” The scammer then proceeds to deceive consumers into purchasing unnecessary, worthless, or even harmful services to “fix” non-existent problems, leading consumers to believe that the technical support worked when in reality the computer never had a problem.

In response to increased consumer frustration with this particular scheme, the FTC created a new complaint category, “tech support scams,” in January 2015 to better track its prevalence. As of August 2015, the FTC received 23,709 complaints for this category with a reported consumer loss of more than \$5 million. Significantly, this trend appears to have a disproportionate impact on older consumers.¹⁸ Seventy-six percent of complainants who reported their age in the Consumer Sentinel database are over the age of 50, and fifty-six percent are over the age of 60.¹⁹

The FTC has filed numerous cases against defendants engaged in these deceptive practices. For example, in a case that was recently settled, the FTC sued overseas telemarketers who falsely claimed to be affiliated with major computer or Internet security companies. The

¹⁸ At the FTC’s Fraud Affects Every Community Workshop, Courtney Gregoire, a senior attorney with Microsoft’s Digital Crimes Unit, reported that Microsoft had conducted a limited survey that revealed the scam disproportionately injured senior citizens. *See* Fraud Affects Every Community Workshop Transcript (Oct. 29, 2014) (“But the 12.9% that suffered financial loss...fell into the senior citizen category. And that has been our primary focus, as we think about how we address this issue from an education and outreach” perspective.), *available at* <https://www.ftc.gov/news-events/audio-video/video/fraud-affects-every-community-workshop-part-2>.

¹⁹ Although providing personal information such as age is not required to file a complaint, 18,000 technical support scam complainants provided age information.

FTC alleged that the telemarketers told consumers that their computers were riddled with viruses and malware and then offered to “fix” these non-existent problems for several hundred dollars. The defendants agreed to relinquish most of their assets.²⁰ Similarly, in two other cases, the FTC charged defendants with tricking consumers into believing there are problems with their computers and selling technical support products and services to “fix” these consumers’ non-existent computer problems.²¹ These two cases remain in litigation. Technical support scams have caused hundreds of millions of dollars in injury. The agency continues to actively seek law enforcement targets and has additional investigations underway.

B. Health Care

Many scammers also take advantage of technological advancements in the phone system to blast millions of prerecorded messages, or robocalls,²² to seniors for the sale of healthcare-related goods or services such as medical alert devices or discounts for medical or

²⁰ See Press Release, Operators of Alleged Tech Support Scam Settle FTC Charges, Will Surrender Money and Property (Oct. 20, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/10/operators-alleged-tech-support-scam-settle-ftc-charges-will>. This case follows a major international crack down that the FTC launched in 2012, halting six tech support scams primarily based in India that targeted consumers in the United States and other English speaking countries. *FTC v. Pecon Software Ltd.*, No. 12-CV-7186 (S.D.N.Y. Sept. 24, 2012), available at <http://www.ftc.gov/enforcement/cases-proceedings/1123118/pecon-software-ltd-et-al>; *FTC v. Marczak*, No. 12-CV-7192 (S.D.N.Y. Sept. 24, 2012), available at <http://www.ftc.gov/enforcement/cases-proceedings/1223246/virtual-pc-solutions-mikael-marczak-aka-michael-marczak-et-al>; *FTC v. Finmaestros, LLC*, No. 12-CV-7195 (S.D.N.Y. Sept. 24, 2012), available at <http://www.ftc.gov/enforcement/cases-proceedings/1223247/finmaestros-llc-et-al>; *FTC v. Lakshmi Infosoul Servs. Pvt Ltd.*, No. 12-CV-7191 (S.D.N.Y. Sept. 24, 2012), available at <http://www.ftc.gov/enforcement/cases-proceedings/1223245/lakshmi-infosoul-services-pvt-ltd>; *FTC v. PCCare247 Inc.*, No. 12-CV-7189 (S.D.N.Y. Sept. 24, 2012), available at <http://www.ftc.gov/enforcement/cases-proceedings/122-3243-x120057/pccare247-inc-et-al>.

²¹ See, e.g., *FTC v. Boost Software, Inc.*, No. 14-CV-81397 (kir) (S.D. Fla. Nov. 19, 2014), available at <https://www.ftc.gov/enforcement/cases-proceedings/132-3283/boost-software-inc>; *FTC v. Inbound Call Experts, Inc.*, No. 14-CV-81395 KAM (S.D. Fla. Nov. 19, 2014), available at <https://www.ftc.gov/enforcement/cases-proceedings/132-3135/inbound-call-experts-llc>.

²² Changes in technology have led to an immense source of consumer frustration – the blasting of prerecorded messages that primarily rely on Voice over Internet Protocol (“VoIP”) technology. The FTC currently receives an average of 170,000 robocall complaints per month.

pharmaceutical services. For example, in *FTC v. Worldwide Info Services, Inc.*, the FTC filed suit against telemarketers who used robocalls to pitch a purportedly “free” medical alert system that a friend, family member, or other acquaintance had purchased for the consumer. In reality, no one had agreed to purchase the system, and the company charged consumers, many of whom were elderly, \$34.95 per month for monitoring.²³ The settlement with defendants permanently bans them from making robocalls.²⁴ Similarly, earlier this year the FTC sued Lifewatch, Inc. for tricking older consumers into signing up for a medical alert system.²⁵ That case remains in litigation.

Scammers have also falsely claimed an affiliation with government agencies to prey on consumers’ fear of losing a government health benefit. In *FTC v. Sun Bright Ventures, LLC*, the FTC charged that defendants pretended to be part of Medicare and targeted older Americans. Defendants allegedly tricked seniors into providing their bank account information by telling the consumers that the information was required to obtain a new Medicare card or to receive important information about Medicare benefits. Once the defendants received the bank account information, they debited consumers’ accounts by initiating a remotely created check that the

²³ *FTC v. Worldwide Info Services, Inc.*, No. 6:14-cv-8-ORL-28DAB (M.D. Fla. Jan. 6, 2014), available at <http://www.ftc.gov/enforcement/cases-proceedings/132-3175/worldwide-info-services-inc>. Worldwide Info Services was telemarketing on behalf of Lifewatch, Inc. Despite Worldwide’s agreement to be banned from sending robocalls, Lifewatch continued utilizing other telemarketers to engage in the same deceptive business practices, leading to the FTC’s current suit against Lifewatch, Inc. See Press Release, FTC, Florida Attorney General Sue to Stop Deceptive Robocalls from Operation that Pitched Seniors “Free” Medical Alert Systems (July 6, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/07/ftc-florida-attorney-general-sue-stop-deceptive-robocalls>.

²⁴ Press Release, Settlement with FTC and Florida Attorney General Stops Operations that Used Robocalls to Fraudulently Pitch Medical Alert Devices to Seniors (Nov. 13, 2014), available at <https://www.ftc.gov/news-events/press-releases/2014/11/settlement-ftc-florida-attorney-general-stops-operations-used>.

²⁵ *FTC v. Lifewatch, Inc.*, No. 15-CV-05781 (N.D. Ill. July 6, 2015), available at <https://www.ftc.gov/enforcement/cases-proceedings/142-3123/lifewatch-inc>.

consumer never saw or authorized.²⁶ The FTC sued Sun Bright Ventures and the individuals running it, seeking a temporary restraining order along with an asset freeze. As part of the recent settlement, defendants are permanently banned from selling healthcare-related products and from debiting bank accounts by creating or depositing remotely created checks and a similar payment mechanism, remotely created payment orders.²⁷

Complementing these enforcement actions against the fraudsters, the FTC also has sued the money transfer services commonly used in these scams targeting older Americans. For example, in 2009, the Commission charged that MoneyGram allowed telemarketers to bilk U.S. consumers out of tens of millions of dollars using its money transfer system.²⁸ The FTC's settlement with MoneyGram required it to pay \$18 million in restitution to settle the charges.

²⁶ *FTC v. Sun Bright Ventures LLC*, No. 14-CV-02153-JDW-EAJ (M.D. Fla. Oct. 2, 2014), available at <https://www.ftc.gov/enforcement/cases-proceedings/132-3217/sun-bright-ventures-llc-gmy-llc>.

²⁷ Press Release, FTC Action: Scammers Banned from Selling Healthcare Products (July 27, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/07/ftc-action-scammers-banned-selling-healthcare-products>.

²⁸ *FTC v. MoneyGram Int'l, Inc.*, No. 1:09-cv-06576 (N.D. Ill. Oct. 19, 2009). The FTC charged that MoneyGram knew that its system was being used to defraud people, many of whom were elderly, but did very little about it. For example, the FTC alleged that MoneyGram knew, or avoided knowing, that about 131 of its more than 1,200 agents accounted for more than 95 percent of the fraud complaints MoneyGram received in 2008 regarding money transfers to Canada. The Commission further alleged that MoneyGram ignored warnings from law enforcement officials and its own employees that widespread fraud was being conducted over its network, and even discouraged its employees from enforcing its own fraud prevention policies or taking action against suspicious or corrupt agents. See Press Release, FTC, *MoneyGram to Pay \$18 Million to Settle FTC Charges That it Allowed its Money Transfer System To Be Used for Fraud* (Oct. 20, 2009), available at <http://www.ftc.gov/news-events/press-releases/2009/10/moneygram-pay-18-million-settle-ftc-charges-it-allowed-its-money>.

The Department of Justice subsequently negotiated a deferred prosecution agreement, pursuant to which MoneyGram paid an additional \$100 million to victims of fraud. See *United States v. MoneyGram Int'l, Inc.*, No. 1:12-CR-00291, D.E. 3 (M.D. Pa. Nov. 9, 2012); *Pending Criminal Division Cases – United States v. MoneyGram International*, U.S. Dep't of Justice, <http://www.justice.gov/criminal/vns/caseup/moneygram.html> (last visited Oct. 13, 2015). In addition, in 2008 forty-five state attorneys general entered into a \$1.2 million multi-state settlement with MoneyGram. See Press Release, Office of the Vermont Attorney General, *Attorney General Announces \$1.2 Million Settlement With MoneyGram* (July 2, 2008), available at <http://www.atg.state.vt.us/news/attorney-general-announces-1.2-million-settlement-with-moneygram.php>.

The FTC is currently investigating whether another money transfer service company – Western Union – has used effective procedures to stop consumers from sending funds to perpetrators of fraud, here and abroad, using its money transfer network.²⁹ In addition to its enforcement efforts, the FTC continues to collaborate informally with money transfer companies, reloadable prepaid card services, retailers, financial institutions, and other private sector entities to improve their fraud-prevention practices.

C. Coordinating with Criminal Law Enforcement

The Commission, through its Criminal Liaison Unit (“CLU”), coordinates extensively with criminal law enforcement agencies in combatting scams, including referring perpetrators to criminal law enforcement authorities for prosecution.³⁰ Since the creation of the CLU in 2003, hundreds of fraudsters have faced criminal charges and prison time as a result of FTC referrals.

Given the cross-border nature of many scams, the Commission also partners with foreign agencies to combat scams that impact the elderly. For example, the Commission is a member of the Centre of Operations Linked to Telemarketing Fraud (“Project COLT”), a joint operation

²⁹ *FTC v. The Western Union Co.*, No 13-3100, Brief of Appellant [D.E. #49] at 1 (2d Cir. Nov. 27, 2013) (filing in litigation to enforce FTC civil investigative demand served on Western Union). In 2005, forty-eight state attorney generals entered into an \$8.1 million multi-state settlement with Western Union to resolve charges that the company failed to take steps to stop fraudsters from using its money transfer system to defraud consumers. See Press Release, Office of the Vermont Attorney General, *Western Union Enters Into Settlement With Attorneys General* (Nov. 14, 2005), available at <http://www.atg.state.vt.us/news/western-union-enters-into-settlement-with-attorneys-general.php>.

³⁰ In *FTC v. Mail Tree, Inc.*, the FTC charged defendants for running a global sweepstakes operation that targeted senior citizens. *FTC v. Mail Tree, Inc.*, No. 15-CV-61034-JIC (S.D. Fla. May 21, 2015), available at <https://www.ftc.gov/enforcement/cases-proceedings/142-3068/mail-tree-inc>; Press Release, FTC Action Halts Global Sweepstakes Scam (May 21, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/05/ftc-action-halts-global-sweepstakes-scam>. In a companion case, the Office of the United States Attorney for the Southern District of Florida indicted four individuals in connection with the sweepstakes operation. Press Release, FTC Action Halts Global Sweepstakes Scam (May 21, 2015), available at <https://www.ftc.gov/news-events/press-releases/2015/05/ftc-action-halts-global-sweepstakes-scam>; Press Release, Four South Florida Residents Charged in Sweepstakes Fraud Scheme (May 21, 2015), available at <http://www.justice.gov/usao-sdfl/pr/four-south-florida-residents-charged-sweepstakes-fraud-scheme>.

involving U.S. and Canadian agencies to combat cross-border telemarketing fraud.³¹ Through this operation, the FTC coordinates law enforcement efforts and exchanges intelligence with Canadian authorities. The FTC's involvement in Project COLT has resulted in at least ten indictments of individuals involved in grandparent³² and timeshare scams.³³ Since its inception in 1998, Project COLT has recovered over \$26 million for victims of telemarketing fraud.

In addition, the FTC is also a member of the Jamaican Operations Linked to Telemarketing taskforce ("Project JOLT"). Project JOLT is a multi-agency task force consisting of U.S. and Jamaican law enforcement agencies working cooperatively to combat Jamaican-based fraudulent telemarketing operations that target U.S. consumers.³⁴ The FTC, through its involvement in Project JOLT, shares information, investigative resources, and complaint data with other JOLT members. The Commission has supported multiple prosecutions in partnership

³¹ Project COLT members include the Royal Canadian Mounted Police, Sureté du Québec, Service de Police de la Ville de Montréal, Canada Border Services Agency, Competition Bureau of Canada, Canada Post, U.S. Homeland Security (U.S. Immigration and Customs Enforcement and the U.S. Secret Service), the U.S. Postal Inspection Service, the FTC, and the FBI.

³² A grandparent scam involves an imposter claiming to be a grandchild in need of immediate financial help, such as money to get out of jail or to cover hospital costs. Many perpetrators in these types of cases are located overseas. *See, e.g., U.S. v. Kirstein, Buchan, El Bernachawy, Iacino, & Kamaldin*, No. CR 13 00469 (C.D. Cal. July 9, 2013); Press Release, FBI, *Alleged Operator of "Grandparent Scam" Indicted* (Oct. 26, 2012), available at <http://www.fbi.gov/losangeles/press-releases/2012/alleged-operator-of-grandparent-scam-indicted>.

³³ *See, e.g.,* Press Release, FBI, *Owner of Timeshare Telemarketing Fraud Sentenced to 20 Years in Prison* (Jan. 29, 2014), available at <http://www.fbi.gov/miami/press-releases/2014/owner-of-timeshare-telemarketing-fraud-sentenced-to-20-years-in-prison>; Press Release, United States Attorney's Office for the Northern District of Georgia, *Adams Sentenced to Over 17 Years in Prison for Multi-Million Dollar Telemarketing Fraud Scheme* (Feb. 9, 2012), available at <http://www.justice.gov/archive/usao/gan/press/2012/02-09-12.html>.

³⁴ JOLT members include the FTC, Immigration and Customs Enforcement, the Department of Homeland Security, the Department of Justice, the Postal Inspection Service, the FBI, and Jamaican law enforcement agencies.

with Project JOLT, including prosecutions for scams that targeted the elderly and impersonated government agencies to promote fake lottery schemes.³⁵

III. Policy Initiatives

The FTC's robust and longstanding law enforcement program has revealed certain systemic and regulatory weaknesses that fraudsters exploit time and again. Indeed, the Commission's telemarketing law enforcement record demonstrates that certain payment mechanisms enable fraudsters to steal consumer funds more easily. In *FTC v. First Consumers*, for example, the defendants cold-called seniors claiming to sell fraud protection, legal protection, and pharmaceutical benefit services for several hundred dollars. In some cases, the defendants pretended to be affiliated with a financial institution or government agency in order to gain consumers' trust. Once the consumers disclosed their bank account information, the defendants used remotely created checks to take consumers' monies right out of their bank accounts.³⁶ Many other FTC cases against fraudulent telemarketing operations contain similar facts.³⁷

Seeking to protect consumers from such tactics, the FTC announced proposed amendments in 2013 to strengthen the Telemarketing Sales Rule by barring sellers and

³⁵ For example, on April 29, 2014, a federal judge sentenced Jamaican citizen Oneike Barnett to 60 months in prison for his role in a fraudulent lottery scheme that targeted elderly victims in the United States. Barnett, who pled guilty, acknowledged that he was a member of a conspiracy that called elderly victims, informing them that they had supposedly won a large amount of money in a lottery. The fraudsters induced victims to pay bogus fees in advance of receiving their purported lottery winnings. In an effort to convince the victims that the lottery winnings were real, the conspirators sent written and electronic communications that claimed to be from the IRS and the Federal Reserve. See Press Release, U.S. Dep't of Justice, *Jamaican Citizen Sentenced in Connection With International Lottery Scheme That Defrauded Elderly Americans* (Apr. 29, 2014), available at <http://www.justice.gov/opa/pr/2014/April/14-civ-454.html>.

³⁶ *FTC v. First Consumers, et al.*, No. 14-1608 (E.D. Pa. Mar. 13, 2014), available at <https://www.ftc.gov/enforcement/cases-proceedings/132-3291/first-consumers-et-al>.

³⁷ Telemarketing Sales Rule, Notice of proposed rulemaking, Request for public comment ("NPR"), 78 Federal Register 131 (Jul. 9, 2013), pp. 41207-09, available at <https://www.ftc.gov/news-events/press-releases/2013/05/ftc-seeks-public-comment-proposal-ban-payment-methods-favored> (last visited Oct. 13, 2015).

telemarketers from accepting four payment methods that may lack adequate protections – remotely created checks, remotely created payment orders, cash-to-cash money transfers, and cash reload mechanisms. The proposed changes would prohibit telemarketers from dipping directly into consumer bank accounts by using unsigned checks and “payment orders” that have been created by the payee. The proposed amendments would also bar the use in telemarketing of cash-to-cash money transfers or cash reload mechanisms³⁸ that scammers rely on to get money quickly and anonymously from consumer victims.³⁹ The public comment period has since closed and the rulemaking process is ongoing.

IV. Consumer Education and Outreach

Public outreach and education is another essential means to advance the FTC’s consumer protection mission. The Commission’s education and outreach programs reach tens of millions of people a year through our website, the media, and partner organizations that disseminate consumer information on the agency’s behalf. The FTC delivers actionable, practical, plain language materials on dozens of issues, and updates its consumer education whenever it has new information to share. For example, the Commission’s library of articles in English and Spanish

³⁸ A cash reload mechanism acts as a virtual deposit slip for consumers who wish to load funds onto a general-use prepaid debit card without using a bank transfer or direct deposit. A consumer simply pays cash, plus a small fee, to a retailer that sells cash load mechanisms such as MoneyPak or REloadit. In exchange, the consumer receives a unique access or authorization code that corresponds with the specific amount of funds paid. A consumer can use the authorization or access code to load the funds onto any existing prepaid debit card within the same prepaid network or an online account with payment intermediary (e.g. PayPal) using the phone or internet. NPR, 78 Federal Register at pp. 41211, available at <https://www.ftc.gov/news-events/press-releases/2013/05/ftc-seeks-public-comment-proposal-ban-payment-methods-favored> (last visited Oct. 13, 2015). Since the Commission issued this public notice, GreenDot voluntarily withdrew MoneyPak from the marketplace. Written Statement of Green Dot Corporation For U.S. Senate Special Committee on Aging Hearing “Hanging Up on Phone Scams: Progress and Potential Solutions to this Scourge,” 2 (July 16, 2014), available at http://www.aging.senate.gov/imo/media/doc/Green_Dot_7_16_14.pdf.

³⁹ Press Release, FTC Seeks Public Comment on Proposal to Ban Payment Methods Favored in Fraudulent Telemarketing Transactions (May 21, 2013), available at <https://www.ftc.gov/news-events/press-releases/2013/05/ftc-seeks-public-comment-proposal-ban-payment-methods-favored>.

includes numerous pieces of particular relevance to seniors, including those specifically describing grandparent scams,⁴⁰ prize and lottery fraud,⁴¹ medical alert scams,⁴² technical support scams,⁴³ and government imposter fraud.⁴⁴

In addition, the FTC recently created Pass It On, an innovative education effort aimed at active, older adults. Pass It On seeks to arm older people with information that they can “pass on” to family and friends who might need it. The materials and videos available at www.ftc.gov/PassItOn are direct and to the point, with a friendly and respectful tone informed by research about the target community’s preferences. The materials cover topics such as imposter and health care scams, charity fraud, and identity theft,⁴⁵ all of which are available in

⁴⁰ See *Family Emergency Scams*, FTC, <http://www.consumer.ftc.gov/media/audio-0052-family-emergency-scams> (last visited Oct. 13, 2015); *Family Emergency Scams*, FTC, <http://www.consumer.ftc.gov/articles/0204-family-emergency-scams> (last visited Oct. 13, 2015).

⁴¹ See *Prize Scams*, FTC, <http://www.consumer.ftc.gov/articles/0199-prize-scams> (last visited Oct. 13, 2015).

⁴² See Colleen Tressler, *To Robocall Scammers Who Lied About Free Medical Alert Devices: We’ve Got Your Number*, FTC (Jan. 13, 2014), <http://www.consumer.ftc.gov/blog/robocall-scammers-who-lied-about-free-medical-alert-devices-weve-got-your-number> (last visited Oct. 13, 2015); Bridget Small, *Robocall Scams Push Medical Alert Systems*, FTC (July 18, 2013), <http://www.consumer.ftc.gov/blog/robocall-scams-push-medical-alert-systems> (last visited Oct. 13, 2015).

⁴³ See Lisa Schifferle, *FTC Cracks Down on Tech Support Scams*, FTC (Nov 19, 2014), <http://www.consumer.ftc.gov/blog/ftc-cracks-down-tech-support-scams> (last visited Oct. 13, 2015); Nicole Fleming, *Getting Your Money Back After a Tech Support Scam*, FTC (Nov. 13, 2013), <http://www.consumer.ftc.gov/blog/getting-your-money-back-after-tech-support-scam> (last visited Oct. 13, 2015); Lesley Fair, *At the Boiling Point About “Tech Support” Boiler Rooms*, FTC (Oct. 3, 2012), <https://www.ftc.gov/news-events/blogs/business-blog/2012/10/boiling-point-about-tech-support-boiler-rooms> (last visited Oct. 13, 2015).

⁴⁴ See *Government Imposter Scams*, FTC, <http://www.consumer.ftc.gov/articles/0048-government-imposter-scams> (last visited Oct. 13, 2015); *Government Imposter Scams*, FTC, <http://www.consumer.ftc.gov/media/audio-0053-government-imposter-scams> (last visited Oct. 13, 2015); Amy Hebert, *Scammers Continuing to Pose as IRS Agents*, FTC (May 29, 2014), <http://www.consumer.ftc.gov/blog/scammers-continuing-pose-irs-agents> (last visited Oct. 13, 2015); Lisa Lake, *Fake IRS Collectors Are Calling*, FTC (Apr. 7, 2014), <http://www.consumer.ftc.gov/blog/fake-irs-collectors-are-calling> (last visited Oct. 13, 2015).

⁴⁵ The FTC’s Pass It On materials include a folder containing one-page articles and bookmarks that explain, in easy-to-understand terminology, how six of the most popular scams work and steps consumers can take to avoid falling victim to these schemes.

print in both English and Spanish.

The Commission seeks to reach older adults through the facilities where they gather or live: libraries, social and civic clubs, senior centers, adult living communities, and veterans' facilities. The FTC recently mailed information to three thousand such facilities and within three days had orders from around the country for more than two thousand copies of the Pass It On printed materials. This confirmed the demand for clear, friendly, respectful education materials for older Americans. The Commission looks forward to continuing to share these materials with public and private sector organizations.

Pass It On resources complement the FTC's other outreach and coordination activities on behalf of older people. For instance, we work extensively with the Elder Justice Coordinating Council to identify cross-agency initiatives to protect seniors from abuse, neglect, and exploitation, and other crimes.⁴⁶ In 2012, the Commission also entered into an innovative program with the American Association of Retired Persons Foundation. Through this program, the FTC refers for individual peer counseling consumers over the age of 60 who have called the FTC's Consumer Response Center with complaints about certain frauds, including lottery, prize promotion, and grandparent scams.⁴⁷ The counseling provides older Americans with important support to help overcome the non-monetary impacts of being targeted by fraudsters. In the last six months, the FTC has referred over 1,000 consumers. In 2014, the AARP Foundation peer

⁴⁶ The Secretary of the Department of Health and Human Services ("DHHS") convened the Elder Justice Coordinating Council in accordance with the Elder Justice Act of 2009. The Council consists of heads of federal departments and other government entities, including the FTC, identified as having responsibilities, or administering programs, relating to elder abuse, neglect, and exploitation. The Council's mission is to develop recommendations to the DHHS Secretary for the coordination of relevant activities. See Elder Justice Coordinating Council, *Facts*, <http://ftcombudsman.org/uploads/files/issues/elder-justice-coordinating-council-factsheet.pdf> (last visited Oct. 13, 2015).

⁴⁷ The FTC only refers consumers who have consented to being contacted by the AARP.

counselors successfully communicated with more than fourteen hundred people referred by the FTC, providing one-on-one advice and guidance to consumers to help them avoid future fraud.⁴⁸

V. Conclusion

The Commission is committed to protecting all consumers from fraud in the marketplace. To address scams that target older Americans, the agency will continue to employ a combination of law enforcement, informed policy proposals, and effective consumer education messages. Moreover, the Commission will continue to identify areas in which new policy and law enforcement approaches are warranted. The Commission looks forward to working with the Committee on this important issue.

⁴⁸ The consumers contacted by the Foundation counselors reported having lost nearly \$19.5 million.

Mr. BURGESS. The Chair thanks the gentleman.

Ms. Canan, you are recognized for 5 minutes for an opening statement, please.

STATEMENT OF STACY CANAN

Ms. CANAN. Thank you. Thank you, Chairman Burgess.

Mr. BURGESS. Would you please check to see if your microphone is on?

Ms. CANAN. Thank you. Can you hear me now? Great.

Thank you. Thank you, Chairman Burgess, Ranking Member Schakowsky, and distinguished members of the subcommittee for this opportunity to speak with you today about the devastating problem of elder financial exploitation.

My name is Stacy Canan. I am the Deputy Assistant Director in the Office for Older Americans at the Consumer Financial Protection Bureau. Our office is dedicated to providing older consumers with the tools they need to protect themselves from financial abuse and to make sound financial decisions.

The evidence is clear, older Americans have assets that make them attractive targets of fraudsters. In 2011 the cumulative net worth of consumers age 65 and older was approximately \$17.2 trillion. Older adults are victimized by a range of perpetrators, including scam artists, family members, caregivers, financial advisors, home repair contractors, and even court-appointed guardians. A national study found that an estimated 5.2 percent of Americans 60 and older are exploited by a family member. Other studies show that most incidents of financial abuse go unreported and under the radar. Once the fraud occurs, of course, older Americans have little time and few resources to recoup lost savings.

To address these serious challenges, we recognize that collaboration is critical. Among other things, the bureau participates, along with 11 other Federal agencies, in the Elder Justice Coordinating Council. The council fosters coordination of Federal agencies. For example, many of our initiatives support council recommendations. And this year the CFPB and the SEC jointly issued a consumer advisory on planning for diminished capacity and illness. The bureau also works on education initiatives with non-profits, community organizations, and industry groups, such as the Financial Services Roundtable and Meals on Wheels America.

I would like to tell you about a few of our initiatives to combat elder financial exploitation. One is the Money Smart for Older Adults Program which we developed jointly with the FDIC. Money Smart is a train the trainer curriculum that teaches consumers and their caregivers about different types of fraud, scams, exploitation, and provides warning signs and tips that is used by a broad range of intermediaries, including State and local Governments, non-profits, and financial institutions.

In October 2013, we released Managing Someone Else's Money Guides. They assist people who are managing the finances for a family member or a friend who is unable to pay bills or make financial decisions. Many older Americans experience declining capacity to handle finances, which make them very vulnerable to fraudsters.

Twenty-two percent of Americans over age 70 have mild cognitive impairment. Even mild cognitive impairment can reduce an older person's ability to detect fraud or a scam, thereby necessitating the need for a surrogate to handle their money. The guides that I mentioned are user friendly how-to guides that explain the fiduciary's responsibilities and how to spot scams and exploitation.

In 2013 the CFPB and seven other Federal agencies released interagency guidance to provide financial institutions with certainty about the legality of reporting suspected financial exploitation. The guidance encourages timely reporting to law enforcement, adult protective services, and other Federal and State and local agencies. The bureau also has additional resources that help protect older Americans against fraud. Ask CFPB is an interactive online tool that helps consumers find clear unbiased answers to their financial questions. It has served more than eight million visitors since March 2012.

We also accept consumer complaints by phone, mail, fax, and through our Web site. As of September 30, 2015, the bureau handled over 726,000 complaints, of which approximately 63,000 were submitted by or on behalf of a consumer 62 years and older.

Congressional leadership and support is critical to implementing a multifaceted solution to the serious problem of elder financial exploitation. We therefore commend this subcommittee for holding this hearing and look forward to continued information sharing with interested parties and stakeholders. Thank you very much.

[The prepared statement of Ms. Canan follows:]

**Testimony of Stacy Canan
Deputy Assistant Director, Office for Older Americans
Division of Consumer Education and Engagement
Consumer Financial Protection Bureau**

**Before the House Committee on Energy and Commerce,
Subcommittee on Commerce, Manufacturing, and Trade**

October 23, 2015

Thank you Chairman Burgess, Ranking Member Schakowsky, and distinguished members of the Subcommittee for the opportunity to speak with you today about the Consumer Financial Protection Bureau and its work to address the devastating problem of elder financial exploitation.

My name is Stacy Canan, and I am the Deputy Assistant Director of the Office of Financial Protection for Older Americans at the Consumer Financial Protection Bureau. I am honored to represent the CFPB today. The Office of Older Americans is one of the offices within the Bureau's Division of Consumer Education and Engagement with a Congressional mandate to focus on a particular part of the U.S. population. The Associate Director of the Bureau's Division of Consumer Education and Engagement previously testified before this Subcommittee on the topic of elder financial exploitation on May 16, 2013. Today, I will update the Subcommittee on the Bureau's initiatives in this arena.

CFPB Office for Older Americans

The CFPB's Office for Older Americans is specifically dedicated to the financial health of Americans aged 62 and older. The Office's statutory mandate is to help provide consumers aged 62 and over with the tools they need to protect themselves from financial abuse and to make sound financial decisions.

The evidence is clear: older Americans have assets that make them attractive targets of fraudsters. In 2011, the net worth of households headed by a consumer age 65 and older was approximately \$17.2 trillion, and the median net worth was \$170,500.¹ Older adults may be victimized by a broad range of perpetrators, including scam artists, family members, caregivers, financial advisers, home repair contractors, and fiduciaries such as agents under power of attorney and court-appointed guardians. For example, a national prevalence study found that an estimated 5.2 percent of Americans 60+ experience financial mistreatment by a family member.²

¹ See Census Bureau, Table 5. Mean Value of Assets for Households by Type of Asset Owned and Selected Characteristics: 2011 (2011), http://www.census.gov/people/wealth/files/Wealth_Tables_2011.xlsx (last visited Oct. 4, 2015).

² Acierno, R., et al., "Prevalence and Correlates of Emotional, Physical, Sexual and Financial Abuse and Potential Neglect in the United States: The National Elder Mistreatment Study," *American Journal of Public Health* 100(2): 292-97.

Other studies document that most incidents of elder financial abuse go unreported and “under the radar.”³ Once the fraud occurs, older Americans have little time and few resources to enable them to recoup lost savings.⁴

To address these serious challenges and carry out Congress’ directives, the Office for Older Americans has placed a priority on preventing, detecting and redressing elder financial exploitation. In doing so, we have recognized that collaboration is critical. The Bureau participates, along with eleven other federal agencies, in the Congressionally-established Elder Justice Coordinating Council. The Council provides a forum to spotlight the disastrous impact of financial exploitation. The Council has heard from national experts and has developed a set of eight recommendations for increased federal involvement in addressing elder abuse, neglect, and exploitation.⁵ Several of the Office for Older Americans’ projects support the Council’s recommendations, including the *Managing Someone Else’s Money* guides and the *Money Smart for Older Adults* (MSOA) program, which I describe in my testimony today. In addition, the Council provides an opportunity for member agencies to develop joint projects addressing elder abuse. For example, the CFPB and the Securities and Exchange Commission (SEC) jointly developed and issued a Consumer Advisory and Investor Bulletin on planning for diminished capacity and illness.⁶

In addition to working with our partners in government, the Bureau engages with non-profits, community organizations and industry groups. For example, in January, 2015, we launched a joint initiative with the Financial Services Roundtable to promote effective financial education across the country, with a key focus on protecting older Americans from financial exploitation.⁷ One outcome of that collaboration is a new Financial Services Roundtable website featuring CFPB publications aimed at preventing, recognizing and reporting financial abuse of older adults.⁸ In the non-profit sector, we are working collaboratively with the national organization Meals on Wheels America to provide consumer education content for their publications. In addition, we conducted a webinar about elder financial exploitation for their staff and for the community-based senior nutrition programs across the country with which they work.

³ Lifespan of Greater Rochester, Inc., et al., *Under the Radar: New York State Elder Abuse Prevention Study* (Rochester, NY: Lifespan of Greater Rochester, Inc., May 2011).

⁴ Robert E. Roush, et al., Why Clinicians Need to Know about the Elder Investment Fraud and Financial Exploitation Program, 36 *Generations* (Issue No. 2, Summer 2012), at 94-97.

⁵ http://www.aoa.acl.gov/AoA_Programs/Elder_Rights/EJCC/docs/Eight_Recommendations_for_Increased_Federal_Involvement.pdf.

⁶ http://files.consumerfinance.gov/f/201505_cfpb_consumer-advisory-and-investor-bulletin-planning-for-diminished-capacity-and-illness.pdf and http://www.sec.gov/oia/investor-alerts-bulletins/ib_illness.html

⁷ Prepared Remarks of CFPB Director Richard Cordray at the Financial Services Roundtable Event on Financial Education, <http://www.consumerfinance.gov/newsroom/prepared-remarks-of-cfpb-director-richard-cordray-at-the-financial-services-roundtable-event-on-financial-education>.

⁸ <http://fsroundtable.org/finhiresources/>.

Office for Older Americans' Initiatives

In addition to work with our partners, the CFPB's Office for Older Americans is also combatting elder financial exploitation by identifying specific challenges and developing initiatives to respond to those challenges.

- PROBLEM: Older Americans, their caregivers, and others in the community don't know how to spot and avoid frauds and scams.
 - CFPB INITIATIVE: The Office for Older Americans developed an awareness program called *Money Smart for Older Adults*, in collaboration with the Federal Deposit Insurance Corporation (FDIC). Released in June 2013, this community education program uses the FDIC's well established Money Smart training approach. The Office for Older Americans and the FDIC have developed train-the-trainer materials and offer in-person and webinar training sessions. MSOA is being delivered to consumers through a broad range of intermediaries, including state and local governments as well as nonprofit and financial service organizations in 49 states. The materials include a *Participant/Resource Guide* that can be used by people who do not attend a local training. The *Participant/Resource Guide* presents information about different types of fraud, scams, and exploitation that target older people and provides warning signs and tips on how to prevent losses and report cases.⁹ To increase the reach of this program, the Bureau and FDIC have made the module available in Spanish and are updating the MSOA content.
- PROBLEM: Many older Americans experience declining capacity to handle finances, which can make them vulnerable. Even mild cognitive impairment greatly reduces an older adult's ability to detect fraud or a scam; 22 percent of Americans over 70 have mild cognitive impairment.¹⁰ One in nine Americans aged 65+ has Alzheimer's disease.¹¹ While many older Americans retain full financial capacity, those with diminished capacity often need a surrogate to handle their money. Those "lay fiduciaries" are a critical source of help and support, but often have no training. Some even engage in fraud.
 - CFPB INITIATIVE: In October, 2013, we released four *Managing Someone Else's Money* guides to assist people who are managing money or property for a

⁹ The *Participant/Resource Guide* is available for download at consumerfinance.gov/f/201306_cfpb_msoa-participant-guide.pdf or for order at promotions.usa.gov/cfpbpubs.html. Instructor materials are available from the FDIC at fdic.gov/consumers/consumer/moneysmart/olderadult.html.

¹⁰ B.L. Plassman et al., "Prevalence of Cognitive Impairment without Dementia in the United States," *Archives of Internal Medicine* 148, no. 6: 427-34.

¹¹ Alzheimer's Association, *2015 Alzheimer's Disease Facts and Figures*, https://www.alz.org/facts/downloads/facts_figures_2015.pdf.

family member or friend who is unable to pay bills or make financial decisions. These user-friendly “how-to” guides are for agents under a power of attorney, court-appointed guardians and conservators, trustees, and government benefit fiduciaries. The guides explain the duties and responsibilities of people acting in each of these fiduciary roles and teach them how to watch out for scams and financial exploitation. The guides also explain what to do if a family member or friend becomes a victim, and where to go for help. The guides are available in English and Spanish on the Bureau’s website, consumerfinance.gov, and can be ordered individually or in bulk at no charge.¹² We have already distributed over 650,000 hard copies of these guides nationally.

Because people’s powers and duties overseeing another person’s finances vary from state to state, the Bureau has learned that people need more than a one-size-fits-all guide. In the second phase of the *Managing Someone Else’s Money* initiative, we are releasing state-specific guides for six states: Arizona, Florida, Georgia, Illinois, Oregon, and Virginia. The Bureau released the Virginia guides in August 2015 and the Florida guides in September 2015. We expect to release the additional guides in 2016. The Bureau also developed a replication manual to enable experts in the remaining 44 states and territories to create similar sets of state-specific guides. The Bureau released tips and templates for replication on October 19, 2015.

- **PROBLEM:** Residents of assisted living and nursing facilities can become victims of fraud and financial abuse. The operators of those facilities may see that bills are going unpaid and residents are threatened with eviction, but they don’t know how to intervene in cases of financial exploitation. Spotting the exploitation before it drains the senior’s funds is in everyone’s interest.
 - **CFPB INITIATIVE:** In June 2014, the Bureau released a national guide for operators of residential care facilities. This guide, entitled, *Protecting Residents from Financial Exploitation: A Manual for Assisted Living and Nursing Facilities*,¹³ provides facility personnel with information to help them identify warning signs of financial exploitation and a model protocol for intervening to prevent significant losses to victims. Bureau staff have made numerous presentations and conducted webinars about the manual for national organizations, including industry trade groups and organizations of long-term care ombudsmen.
- **PROBLEM:** Financial institution personnel observe signs that an older account holder may be the victim of financial abuse, but they may be unsure whether federal privacy

¹² See www.consumerfinance.gov/managing-someone-elses-money.

¹³ http://files.consumerfinance.gov/f/201406_cfpb_guide_protecting-residents-from-financial-exploitation.pdf

laws permit them to share their suspicions with social service and law enforcement agencies.

- The Office for Older Americans, working with the Bureau's Office for Supervision Policy and with other federal regulators, developed **interagency guidance** for financial institutions to clarify the applicability of the privacy provisions of the Gramm-Leach-Bliley Act (GLBA) to their reporting of suspected financial exploitation of older adults. Eight federal regulatory agencies with authority to enforce the privacy provisions of GLBA jointly released the guidance on September 24, 2013.¹⁴ The goal of the guidance is to provide financial institutions more certainty about the legality of reporting suspected abuse, thereby facilitating financial institutions' timely reporting of suspected abuse to law enforcement, Adult Protective Services and other federal, state and local agencies. Reporting by financial institutions enables officials in a variety of capacities to take appropriate protective action. (Following the issuance of the Interagency Guidance, several state regulators have taken similar action on the state level.)¹⁵

Financial institutions are especially well-positioned to spot signs of elder financial abuse; for that reason, CFPB will release **an advisory** to encourage financial institutions to prevent, recognize, and report elder financial abuse. The advisory will recommend an array of practices to assist financial institutions in protecting their elder account holders. The Bureau plans to release the advisory in 2016.

Other CFPB Resources for Older Americans

The Bureau also has additional resources that can help protect older Americans against fraud.

First, *Ask CFPB*¹⁶ is an interactive online tool on our website, consumerfinance.gov, that helps consumers find clear, unbiased answers to their financial questions. As soon as a consumer begins typing in a question, the database's autocomplete feature begins to provide various search suggestions. Users can also browse product categories and tags. From any search page, they can narrow their choices by specific topics, such as "fees" or "closing," or by populations, like servicemembers, students, and older Americans. Under the "older Americans" tag, a consumer easily can find answers to questions about financial products and services, powers of attorney,

¹⁴ See *Interagency Guidance on Privacy Laws and Reporting Financial Abuse of Older Adults* (Sept. 24, 2013), available at http://files.consumerfinance.gov/f/201309_cfpb_elder-abuse-guidance.pdf. The eight agencies are the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission, the CFPB, the FDIC, the Federal Trade Commission, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission.

¹⁵ See, e.g., New York State Department of Financial Services, *Guidance for Financial Institutions on Preventing Elder Financial Exploitation* (2015) http://www.dfs.ny.gov/about/press/2015_pr150226-ldr.pdf

¹⁶ <http://www.consumerfinance.gov/askcfpb/>

accepting assistance with bill-paying and banking, as well as tips to avoid financial harm. *Ask CFPB* has served more than eight million visitors since its launch in March 2012.

We also have an **Office of Consumer Response**, which accepts consumer complaints by phone, mail, and fax and through our website. Currently, Consumer Response handles complaints about credit cards, prepaid cards, credit reports, money transfers, mortgages, bank accounts and services, vehicle loans and leases, payday loans, other consumer loans, debt collection and student loans. If older consumers encounter unfair, deceptive or abusive, or discriminatory activities by providers of these products and services and they wish to submit a complaint, the Bureau will forward their complaint to the company and work to get a response from them. If we determine that another government agency would be better able to assist, we will forward the complaint to them and let the consumer know. As of September 30, 2015, the Bureau handled over 726,000 complaints, of which approximately 63,415 were filed by or on behalf of consumers age 62 and over.

Conclusion

Congressional leadership and support is critical to implementing a multi-faceted solution to the serious problem of elder financial exploitation. We commend the Chairman, the Ranking Member and other members of this Subcommittee for holding this hearing to spotlight the serious issue of elder financial exploitation. I look forward to continued information sharing with interested parties and stakeholders on this important topic.

Thank you for the opportunity to present this testimony.

Mr. BURGESS. The Chair thanks the gentlelady.

Mr. Harris, you are recognized for 5 minutes for an opening statement, please.

STATEMENT OF ROBERT F. HARRIS

Mr. HARRIS. Good morning, Dr. Burgess, chairman of this committee, Ranking Member Congresswoman Schakowsky, and members of the Commerce, Manufacturing, and Trade Subcommittee.

My name is Robert Harris, and I am a lawyer, and I am the Cook County Public Guardian in Chicago. I was appointed in 2004 by the Chief Judge of the Circuit Court of Cook County to act as the guardian for people with Alzheimer's and dementia.

I am here today to discuss the issue confronting hundreds of people under my guardianship who have severe forms of dementia and Alzheimer's and have been financially exploited. My office serves approximately 600 people right now as the guardian of last resort for people without family or others to care for them. The average age is 72, the oldest is 103, and around 70 of them are over 90 years old. Our goal is to maintain them in their own homes or in a community setting. And for approximately one-third of those people, we are able to do so with their own assets.

At this point, most of them have bought homes, saved money for their golden years. Unfortunately, there are people who view them as potential victims. And the problem is so widespread that at least a third of our intake cases have some form of financial exploitation. It doesn't matter if they have large estates worth over a million dollars or if they simply have a house that is worth \$25,000.

Another unfortunate fact is the exploiters can be anyone. Family members, agents acting under their power of attorney, bank tellers, attorneys, clergy, caregivers, long-time friends. We have had cases involving police officers, and strangers and others who either have or obtain a position of trust for the elderly victims.

To combat and recover assets, stolen from the people we serve, we do several things. We work with law enforcement, adult protective service agencies, and fraud protection departments of financial institutions. We work with the media to shed light on the problem within the public, and we speak at various community organizations to educate their constituents about the problem.

One of our strongest and chief tools that we use is development of a financial recovery unit that we call FRU. We have three full-time attorneys who file citation actions pursuant to the Illinois Probate Act and other causes of action to recover stolen, converted, embezzled, or concealed assets. Over the past 10 years that we have worked on this particular issue, the unit has recovered almost \$50 million in money, houses, and other properties for the people under my guardianship to be able to use for their care to maintain them in the community.

The types of scams that we see include, executing fraudulent deeds, unduly influencing the elderly individual to sign off over their property, or using a power of attorney to empty their bank accounts. The almost \$50 million that we have recovered for people under my guardianship is just the tip of the iceberg. And I am sure that it is only a tiny fraction of the money that individuals have been exploited of, in and around Chicago.

Some of our suggested solutions are, to help local Governments establish offices such as mine, or legal clinics to establish practices that help people who have been exploited. Whether they come into the court system or whether they simply need help and aren't involved in a Probate Court case.

Educate seniors in the public regarding the dangers of financial exploitation through community organizations, and places of worship and community centers, and resources that might be available to them. To utilize organizations like the National Guardianship Association to play an important role by promoting standards best practices for guardians and probate courts, by providing education and training and provide advocacy on the issue that impact seniors including elder use and financial exploitation.

Develop court systems and processes that don't work against seniors and consider the urgency of time for the elderly, such as the probate and the Elder Lawyer and Miscellaneous Remedies Courts in Chicago. Because many exploiters simply try to wait out the life span of the elderly victims.

You have the written materials that I have submitted that are premised in large part on an article that my Deputy Public Guardian, Charles Golbert, wrote for Van der Plas Publishers, and I would be happy to share our experiences with individual cases.

[The prepared statement of Mr. Harris follows:]

**COMBATING FINANCIAL ABUSE OF THE ELDERLY:
THE EXPERIENCE OF THE COOK COUNTY PUBLIC GUARDIAN OFFICE,
ILLINOIS, U.S.**

Good morning Dr. Burgess Chairman of this committee, Ranking Member Congresswoman Schakowsky, and all of the members of the committee. I am very honored to being invited to share the experiences that my office has had with the financial exploitation of the elderly individuals that we serve.

I am the Cook County Public Guardian, an attorney, and I was appointed by the Chief Judge of the Circuit Court of Cook County, Timothy Evans in 2004. The Office of the Cook County Public Guardian in Chicago is a county based law office that acts as the attorney and guardian ad litem for approximately 6000 children in Cook County's abuse and neglect courts; guardian for adults with cognitive disabilities such as dementia and Alzheimer's disease; and as the child representative for approximately 600 children in contentious custody and divorce cases. We are unique in the country for combining the representative of children and the elderly.

For the purposes of this hearing, I will focus on our work in the Adult Guardianship Division of the office and the Financial Recovery Unit which has recovered approximately \$50 million in assets stolen from the people we serve. The Adult Guardianship Division of the Public Guardian's Office, serves as the guardian of last resort, for some 600, mostly elderly people with cognitive disabilities such dementia and Alzheimer's disease who need a guardian but who have no appropriate family member to serve as their guardianⁱ. With an interdisciplinary staff of more than 80 peopleⁱⁱ (including attorneys, social workers, MBAs, financial services personnel, paralegals, and support staff) and we manage nearly \$100 million in assets (cash, real and personal property) that belongs to the people under my guardianshipⁱⁱⁱ, it is one of the largest public guardianship offices in the United States.^{iv} The average age for the people we serve is 72 (the youngest is 21 and the oldest 103), approximately 70 are of over 90 years old. Our goal is to maintain them in their own homes or in a community setting, with approximately 1/3 of them living in the community.

Unfortunately, we see elder abuse, neglect, and financial exploitation every day. Each year, our intake referrals reflect a growing percentage of new cases with abuse, neglect, or financial exploitation.

To give a flavor of how widespread the problem has become, in more than a third of our new intake cases, elder individuals had been financially exploited before the case was referred to our office.^v That is just looking at financial exploitation, and it does not include new intake referrals with issues of abuse or neglect. Of course, in many of the financial exploitation referrals, the elder had also been neglected or abused physically or emotionally. Some of the people we serve

had been swindled out of virtually every cent, including their longtime family homes, before they came to the attention of authorities and were referred to our office.^{vi}

The experience of our office is consistent with national trends. According to a 2011 joint study by the National Committee for the Prevention of Elder Abuse, Virginia Tech University, and the Metlife Mature Market Institute – known as the Metlife Study – the loss by victim of elder financial abuse in the United States in 2010 was at least \$2.9 billion.^{vii} That represents a 12% increase from just two years earlier, 2008, when the amount was \$2.6 billion.^{viii}

As disturbing as these numbers are, they are likely low, as elder financial abuse remains underreported, under-recognized, and under-prosecuted.^{ix} In his treatise, *Alzheimer's and the Law*, Kerry Peck observes that seniors often do not report financial and other abuse for a variety of reasons including embarrassment, fear of being placed in a nursing home if the exploiter is a relative or caregiver or if the elder is deemed unable to manage his or her money, and fear of turning in the abuser.^x He further observes that the abuser often knows, and takes advantage of, this fact.^{xi}

Older women in the United States are twice as likely to be victims of financial exploitation as older men.^{xii} Most victims are between the ages of 80 and 89, live alone, and need some level of assistance.^{xiii} In other words, the exploiters seek out, find, and prey on the most vulnerable and isolated members of our society.

Referring to elder financial abuse as the “Crime of the 21st Century,”^{xiv} the Metlife Study found that financial exploitation engenders health care inequities, fractures families, increases mental health issues among elders, and results in the loss of human rights and dignity.^{xv} Elder financial exploitation often occurs in combination with physical abuse.^{xvi} Pick notes empirical evidence that when a senior has been a victim of a crime, it can hasten their death.^{xvii}

On a more positive note, the Metlife Study observed that the recently passed Elder Justice Act^{xviii} has the potential to make a real difference in reducing elder abuse, including elder financial exploitation, in the United States.^{xix}

To combat the growing problem of elder financial exploitation, the Cook County Public Guardian's Office created more than a decade ago a specialized unit of three senior attorneys whose full-time practice is to litigate complex cases against financial exploiters and to recover money and property stolen from the people we serve before we become their guardian.

Over the years, the lawyers in this unit have litigated hundreds of recovery lawsuits. The respondents in our litigation have included, *inter alia*, family members, “friends,” financial advisors, accountants, business partners, landlords, tenants, neighbors, prior guardians, agents

under purported powers of attorney, home repair personnel, bank tellers, police officers, clergy, caregivers, doctors, nurses, and most unfortunately, longtime trusted family attorneys. In the majority of cases, the exploiter was someone in a unique position of trust or authority over the elder. Again, our experience is consistent with national trends.^{xx}

Examples of scams that we have encountered include: Forged and fraudulent deeds transferring property to a third party; Drafting and execution of new estate planning documents; Conversion of money and personal property; Construction and home repair scams.

The Financial Recovery Unit has been tremendously successful. Over the past ten years, we have recovered nearly \$50 million for the people we serve. We are then able to use the money to take care of them in their golden years. In appropriate cases, we pursue and obtain punitive damages against the exploiters. It is particularly satisfying when we are able to recover a longtime home and move the individual back into the place that brings them comfort and holds so many memories for them.

In the process, we have won significant victories in the Illinois Supreme Court and the Appellate Court that have resulted in favorable precedential published opinions.^{xxi} Some of our cases have resulted in legislative initiatives to protect seniors.^{xxii} We have also called attention to the problem of elder financial abuse through extensive positive coverage of our cases in the news media.^{xxiii} One of our financial recovery cases was featured in the award-winning documentary film *Forbidden Lie\$*.^{xxiv}

We believe that our office has the largest financial exploitation recovery practice of its kind in the country in terms of the number of cases litigated and amount of money recovered. We would like to see the program replicated in other jurisdictions.^{xxv}

Some suggested solutions:

- 1) Educate seniors and the public regarding the dangers of financial exploitation through local community organizations, places of worship and community centers. Ask family members to check in on elderly relatives and friends to ensure that unscrupulous or strangers haven't insinuated themselves into the elderly individual's life.
- 2) Utilize organizations like the National Guardianship Association (NGA) to play an important role by promoting standards of best practices for guardians and probate courts; by providing education and training; and by providing advocacy on issues that impact seniors including elder abuse and financial exploitation. My Deputy of my Adult Guardianship Division serves on NGA's national board of directors and other attorneys in my office hold key leadership positions in other national organizations that focus on these issues.

- 3) Develop court systems and processes that don't work against seniors and consider the urgency of time for the elderly—such as the Elder Law and Miscellaneous Remedies court in Chicago. Many exploiters try to simply wait out the life span of older victims through lengthy court proceedings.

ⁱ OFFICE OF THE COOK COUNTY PUBLIC GUARDIAN, <http://www.publicguardian/about/>

ⁱⁱ Charles P. Golbert, *Justice for Children, Adults with Disabilities, and the Elderly: Reflections from 15 Years as an Attorney with the Office of the Public Guardian of Cook County, Illinois*, 1 DePaul J. for Soc. Just. 69 (2007)

ⁱⁱⁱ OFFICE OF THE COOK COUNTY PUBLIC GUARDIAN, <http://www.publicguardian.org/guardianship/about/>.

^{iv} Charles P. Golbert, *Health Care Surrogate Decision Making and Bioethics: Case Studies from the Files of the Office of the Cook County Public Guardian*, 6 NAELA J. 155 (2010).

^v OFFICE OF THE COOK COUNTY PUBLIC GUARDIAN, <http://www.publicguardian.org/guardianship/about/>.

^{vi} Charles P. Golbert, *Using the Probate Act to Recover Assets Stolen from Persons with Disabilities*, 88 ILL B.J. 510 (Sept. 2010).

^{vii} THE METLIFE MATURE MARKET INSTITUTE ET AL., METLIFE STUDY OF ELDER FINANCIAL ABUSE: CRIMES OF OCCASION, DESPERATION, AND PREDATION AGAINST AMERICA'S ELDERS 2, 7 (June 2011), available at www.metlife.com/mmi/rsearch/elder-financial-abuse.html#key. [hereinafter METLIFE STUDY].

^{viii} *Id.*

^{ix} *Id.* at 3-4, 16, 23.

^x KERRY PECK & RICK L. LAW, ALZHEIMER'S AND THE LAW: COUNSELING CLIENTS WITH EMENTIA AND THEIR FAMILIES, 285, 309 (1st ed. 2013).

^{xi} *Id.* at 309.

^{xii} METLIFE STUDY, *supra* note 7 at 3, 8, 16.

^{xiii} *Id.* at 3, 8, 16, 22.

^{xiv} *Id.* at 5.

^{xv} *Id.* at 4, 23.

^{xvi} *Id.* at 3, 17-18.

^{xvii} PECK & LAW, *supra* note 10, at 314.

^{xviii} 42 U.S.C. §§ 132b-25 (2014); 42 U.S.C. §§ 1395i-3a (2014); 42 U.S.C. §§ 1397j-1397m-5 (2014). >

^{xix} METLIFE STUDY, *supra* note 7, at 4, 19-21. For an excellent article about the history and substance of the Elder Justice Act, and its potential to curb elder abuse, see Brian W. Lindberg, Charles P. Sabatino, & Robert Blancato, *Binging National Action to a National Disgrace: The History of the Elder Justice Act*, 7 NAELA J. 105 (2011).

^{xx} See PECK & LAW, *supra* note 10, at 290 (the majority of financial exploiters are in a unique position to take advantage of the elder such as fiduciaries, family members, and trusted members of society).

^{xxi} See, e.g., *In re Estate of Powell v. Wunsch*, 2014 IL 115997, 12 N.E.3d 14 (Ill. 2014); *In re Marriage of King*, 802 N.E.2d 1216 (Ill. 2004); *In re Estate of Davies v. Pasamba*, 2014 IL App

(1st) 133551, 17 N.E.3d 763 (Ill. App. Ct. 2014); *In re Estate of Hoellen v. Owsley*, 854 N.E.2d 774 (Ill. App. Ct. 2006).

^{xxii} See generally Janna S. Dutton et al., *CBA Subcommittee Achieves Protections for the Elderly*, 15 C.B.A. REC. 20 (Jan. 2001); Robert F. Harris et al., *When Disabled Homeowners Lose Their Homes For A Pittance in Unpaid Property Taxes: Some Lessons From In re Mary Lowe*, 5 NAELA J. 190-91 (2009); see also OFFICE OF THE COOK COUNTY PUBLIC GUARDIAN, <http://www.publicguardian.org/guardianship/developments> (last visited Nov. 17, 2014)

^{xxiii} See, e.g., Tina Sfondeles, *Cop Accused of Forging \$20,000 Check from Man with Dementia*, CHI. SUN-TIMES, Dec. 28, 2013, at § 1, p. 5; David Jackson, *Lawyer Punished in Elder Cases: License Suspended After Allegations of Financial Misdeeds*, CHI. TRIB., Jan 24, 2013, at § 1, p. 9; Jason Meisner & Annie Sweeney, *Brothers Get 14 Years in Fraud Case: Judge Lambastes 'Financial Vampires;' For Preying on Vulnerable Targets*, CHI. TRIB., Nov. 14, 2012, at § 1, p. 4; Cynthia Dizikes & David Jackson, *Bill Due for Nonprofit Chief: Public Guardian Wants CEO Robert Wharton Jailed After Default on \$71,000 He Owes to Disabled Ex-Secretary*, CHI. TRIB., Jan. 10, 2012, at § 1, p. 1; David Jackson, *Priest Investigated Over Estate Deal: With Help From Law Firms Pastor Obtained Ownership of Elderly Parishioner's Home*, CHI. TRIB., Feb. 14, 2011, at § 1, p. 7; Serena Maria Daniels, *Disabled Man's Fortune Stolen: Authorities Say Savings Drained By Family Friends*, CHI. TRIB., Sept. 23, 2010, at § 1, p. 11; Annie Sweeney, *Cop Probed in Senior's Mission \$400K: Officer Assigned to Help Elderly Residents But that 'Nice' Teller was Siphoning Away 86-Year-Old Jessie McDonald's Cash, the Public Guardian's Office Says – And So Far Chase Hasn't Paid It Back*, CHI. SUN-TIMES, June 24, 2008, at § 1, p. 8; Susan Chandler, *This House Was a Steal: How Fraud Led to This Property Changing Hands Three Times as Son of Owner Sat Dead Inside*, CHI. TRIB., Feb. 24, 2008, at § 1, p. 1; Lorene Yue, *Widow's Finances Run Dry: Neighbor Allegedly Bled Retiree Big-Time*, CHI. TRIB., Oct. 12, 2005, at § 2, p. 1; Debra Pickett, *Discredited Author Accused of Ripping Off Elderly Neighbor*, CHI. SUN-TIMES, Aug. 22, 2004, at § 1, p. 14.

^{xxiv} *Forbidden LieS* (World Cinema 2007).

^{xxv} OFFICE OF THE COOK COUNTY PUBLIC GUARDIAN, <http://www.publicguardian.org/guardianship/about/> (last visited Nov. 17, 2014). More information about the financial exploitation recovery practice of the Office of the Cook County Public Guardian, and some of the cases litigated, can be found at Cook County Public Guardian, www.publicguardian.org/guardianship/about/departments/; www.publicguardian.org/guardianship/about/success-stories/ (last visited Nov. 17, 2014). See also Charles P. Golbert, *Justice for Children, Adult with Disabilities, and Elderly: Reflections from 15 Years as an Attorney with the Office of the Public Guardian of Cook County Illinois*, 1 DEPAUL J. FOR SOC. JUST. 69-79 (2007); Charles P. Golbert, *Using the Probate Act to Recover Assets Stolen from Persons with Disabilities*, 88 ILL. B.J. 510, 517 (2010)

Mr. BURGESS. The gentleman yields back. The Chair thanks the gentleman.

And thanks all of our witnesses for your testimony. And we will move into our question portion of the hearing. I will begin the questioning by recognizing myself for 5 minutes.

Mr. Harris, I just have to ask you, and, I mean, I learn so much in this subcommittee. A fraudulent deed? What happens with that? Someone comes door to door and says: I will sell you some property?

Mr. HARRIS. Well, no, actually what they do sometimes is they do quitclaim deeds from the person, the elderly person. They forge those deeds, write their own names in, or deed it to a third party. And then they record it against the property. And sometimes those elderly people never know about the crime, and then one day someone shows up and they no longer own their homes.

Mr. BURGESS. Someone has purchased the home?

Mr. HARRIS. Actually, they have not purchased the home, they have just developed a deed and recorded it against their property.

Mr. BURGESS. And you are able to intervene on behalf of that person?

Mr. HARRIS. Oh, yes. Well, what happens is, if a case is referred to our office and the person qualifies, first of all, they have to have a cognitive impairment that is severe enough to qualify for our services, we would file something like a citation action to recover their property that has been wrongfully taken from them.

Mr. BURGESS. Are there other people within your county who would, if someone wasn't suffering from a cognitive impairment, where that could be remedied?

Mr. HARRIS. Yes. There is a Legal Assistance Foundation that we have in Chicago that also have a fraud department, and there are a couple of attorneys that work on cases for people who don't have guardians. Sometimes they are referred to us if there is a need for a guardian. But often they just have people that walk in.

But the office is very small. And one of the biggest issues I think that we are confronted with are not just on the deed, the fraudulent deed cases, but some of the people that we work with make the worst witnesses because of their cognitive impairment, whether this is severe or not. And so they need more help. Sometimes these are very intensive, document-intensive, financial-intensive cases that requires a lot of work and detail.

Mr. BURGESS. Thank you.

Mr. Kaufmann, thank you for being here this morning. And certainly I want to thank the FTC for always been willing to come and talk to our subcommittee and having us over to your offices earlier in the year, and having me to your regional offices down in Dallas, and that was all very helpful and I have learned about a number of resources that are available.

Let me just ask you a question about your involvement when you have a foreign agency involved, a telemarketing scheme, something called the Jamaican Lottery, which I am not sure I understand what it is, but what enforcement tools do you have to be able to put a stop to these practices, and what have you learned about multijurisdictional enforcement?

Mr. KAUFMAN. Thank you for the question. Multi-jurisdictional enforcement is challenging. There are impediments when fraud is emanating from overseas to the United States. The tools that this committee have given us is the U.S. Safe Web Act have provided assistance, but we have also worked closely and built stronger relationships with law enforcement authorities in other countries, in Canada, in the United Kingdom.

If we talk about Jamaica, we have seen a lot of prize and lottery scams in particular emanating from Jamaica. And we have a specific group who are involved in called JOLT, which is a number of law enforcement agencies in the United States and Jamaican authorities to help assist the Jamaicans in prosecuting these kind of cases there, as well as prosecuting cases in the United States. But there are challenges with these issues.

Mr. BURGESS. Let me ask both you and Ms. Canan, what do you have at your disposal for spotting trends so that you might anticipate if something is happening in one location that it might metastasize or migrate to another location? Are there tools that you have where you can keep track of things that are popping up on the radar screen?

Mr. KAUFMAN. Absolutely. Our primary tool, I would say, is our Consumer Sentinel Database. We get complaints from many consumers. We also get complaints from many other law enforcement agencies and entities such as the Better Business Bureau, and we routinely track, analyze, and look for trends and look for increasing spikes in order to find targets to pursue.

Mr. BURGESS. And Ms. Canan, at the CFPB?

Ms. CANAN. Yes. And I mentioned in my testimony that we have a consumer response department where we accept complaints from consumers. And our office, the Office for Older Americans, we look at the complaints that are submitted by and on behalf of older consumers routinely and look for trends and spikes as well.

Some of the, you know, the information that we cull from the complaints, if appropriate, we send to our enforcement division. We also will develop education materials, depending on what we find.

Mr. BURGESS. Well, part of the purpose of having this hearing, or course, is the expository nature of the services that you all have. I will tell you, as a regular guy, when I was caring for my parents as they aged, I had no idea about the types of services that were available, nor would I have been completely cognizant of the risks that were out there.

And looking back on 10 or 15 years ago, I realize there were probably some near misses. But I really hope what this subcommittee hearing does today is make people, number one, aware of the problem, and, number two, aware of where they can go for help if they think they have been victimized.

I yield now to the gentlelady from Illinois, the ranking member of the subcommittee.

Ms. SCHAKOWSKY. Thank you, Mr. Chairman, and I appreciate your last comment. And hopefully we really can work together to drill down on this.

I wanted to ask Mr. Harris a question. You said that you are guardian for 600 people. How do those people get to you? How does that happen?

Mr. HARRIS. We often have referrals from judges. A senior will come into a housing court and have an issue, and we will be called by a judge. Law enforcement. We have had referrals from banking institutions as well. Neighbors. All sorts of people.

Ms. SCHAKOWSKY. So would you estimate that there are a lot of people out there who do not have the benefit of your guardianship?

Mr. HARRIS. Yes. I do. A lot of people who either are fearful, and there is a lot of people out there that are fearful even to call our office, because they believe that the Government stepping in is going to be a bad thing for them.

So I think that if there is an appropriate person out there, a friend or a family member that can help them, I think that is always the preferable way to go. But I think we do offer some services that specifically are FRU unit that is able to help people that is unlike probably any other organization in our city and our State.

Ms. SCHAKOWSKY. You had said that a third of the people, so that would be about 200 of those, are victims of some form of exploitation, financial exploitation. Did you say by families?

Mr. HARRIS. By family members. But often it is a lot of other people. There is a lot of strangers that do it, but there is a lot of people that hold great positions of trust that end up doing it, and unfortunately it can be a family member.

Ms. SCHAKOWSKY. Yes. I am wondering if you could describe some of the types of financial exploitation that seniors under your care have experienced.

Mr. HARRIS. Sure. I remember a young lady—young lady to me. She is older, but she is still young in spirit—who was exploited by a woman who styled herself as her personal banker. She would go to the same bank, downtown Chicago, large banking institution, for years. She worked for R.R. Donnelley, which used to be a company that produced books and other things in the city. And she and her husband had amassed a small amount of money, about \$300,000. This person, she befriended her, would sit down with her every time she came into the bank. She started to rely on her to write checks for her bills, and she ended up taking about \$300,000 from her. The bank called us, and we ultimately, after a little contentiousness, we ultimately were able to recover the money from her.

But we have also had people who have been exploited who have gone to the hospital. Elderly gentleman, 90 years old, who had gone to the hospital, met a CNA at the hospital, who ended up volunteering to become his caregiver, who then stole about \$500,000 from him. Those are just some of the cases. We have had all kinds of cases similar to that.

Ms. SCHAKOWSKY. You know, some of these are so personal. And I think—I don't know if all of you have, but I know Mr. Kaufmann and I think Ms. Canan also said, a lot of people don't report it. And I would think when families are involved that it becomes even more difficult. How can we—maybe this is for all of you—encourage people to protect themselves to actually report when family or a former trusted friend has clearly exploited them? How do we break through that?

Mr. KAUFMAN. Sure. I think a couple things. First, we would obviously love to have the committee members providing information

on their Web sits and to their constituents about the resources we provide. It is very important to help us get the word out, and we would like the committee to assist us.

For us, our campaign Pass It On is premised on the notion that it is senior citizens helping other senior citizens and spreading the word out, and not being ashamed to talk about frauds that have happened, and to protect each other. So that has been the focus of our consumer education, is sort of breaking that barrier and getting seniors to talk about it with each other.

Ms. SCHAKOWSKY. Let me ask you—did you have something, Ms. Canan?

Ms. CANAN. Well, I was just going to say that similar to the FTC, we are out and about and encouraging the reporting of abuse. It is something that really needs almost a mass media attention to.

We have the Money Smart for Older Adults, train the trainer program that we are out and about, and with intermediaries training people constantly about how to spot and intervene and report when fraud is observed.

Ms. SCHAKOWSKY. Do you partner with senior citizen organizations like AARP and—

Ms. CANAN. Yes. So we are a very small office with 57 million constituents. So the only way that we could effectively do our job is if we connect with service providers, State, local government entities, other Federal partners in order to—you know, with organizations that are on the ground providing services to seniors. And many of them will engage in the Money Smart training for their clientele.

Ms. SCHAKOWSKY. Mr. Chairman, can I ask one short question in addition?

I wondered, Mr. Harris, does the State attorney general have any role in helping your office with financial exploitation?

Mr. HARRIS. Yes. In terms of some of the bigger cases, people who do systemic exploitive things, they do get involved, file lawsuits, as does the U.S. Attorney's Office as well.

I have to say that to me one of the biggest tools that we can use, is to get to the smaller community groups, to go to churches, to go to synagogues, to go to other places. We work with a small agency on the West Side of Chicago called South Austin Coalition. And they, you know, they know the people. They bring folks like myself in, and these two people here from their organizations to come and talk to the various smaller groups. I have generated certain cases where we have been able to help people from those groups.

Because I am not sure how much some of the folks on the West Side, the South Side and some of the North Sides of Chicago are looking at like bigger media attention on something like that or reading some of the brochures that are really geared toward helping the seniors. So it is as simple as you can get it and as grass roots as you can get it. I think that is probably the most effective tool that I have seen, to help.

Ms. SCHAKOWSKY. Let me just say I would really like to meet further with all of you and talk about ways that we can partner on this. And I look forward to the committee following up on this. Thank you.

I yield back.

Mr. BURGESS. The Chair thanks the gentlelady. Gentlelady yields back.

The Chair recognizes the vice chairman of the subcommittee, Mr. Lance from New Jersey, 5 minutes for your questions, please.

Mr. LANCE. Thank you, Mr. Chairman. And my thanks to all the distinguished panel for being here.

I hear from constituents all the time about being bombarded with robocalls from scammers who have spoofed their phone numbers to look like a local call or like a State or Federal agency in order to scam them out of personal and financial information. Indeed, yesterday my wife received such a call in New Jersey. Someone claiming that we were in arrears with the Internal Revenue Service. And she chose quite appropriately not to return the telephone call. She telephoned me, and our office looked into the telephone number, and it was a someone who was scamming constituents, I would imagine, across the country.

I have introduced a bill with Grace Meng of New York City, from the Great Borough of Queens in New York City, a Democrat, and Chairman Emeritus Barton of this committee, called the Anti-Spoofing Act of 2015, and I would encourage colleagues to examine that bill, and it would target caller ID spoofing and specifically expand protections of the Communications Act of 1934 to include spoofed text messages and voice over IP calls.

Mr. Kaufmann, the FTC runs a do-not-call list. Would you please explain in detail, what my constituents and others who are on the list, should do if they believe they are being called by scammers or organizations in violation of FTC protection?

Mr. KAUFMAN. Sure. Thank you for the question. Robocalls are a huge challenge. The first word of advice we provide to consumers if you receive one, hang up. Don't provide any information. Just hang up.

Mr. LANCE. Yes. I hope those who are viewing this hearing will take that to heart. Do not respond to such a call.

Mr. KAUFMAN. The technology issues are challenging, and it has become very inexpensive to blast millions upon millions of phone calls. You know, we are bringing law enforcement actions, but the cases are challenging. The caller IDs are spoofed. It makes finding the perpetrators pretty challenging.

One thing we have done at the FTC that is pretty innovative is, we have issued a number of different public challenges, to get people in the technology community interested in the issue of robocalls, in helping to figure out ways to block calls. We have had four separate events that have been successful, and it is something we are continuing to pursue. We also, again, hang up on the calls, get yourself on the do-not-call list, and we continue to work hard in this area.

Mr. LANCE. Thank you. In one of the counties I represent in New Jersey, residents were being telephoned by those who claimed to be from the county sheriff's office. This is clearly inaccurate, fraudulent, and the sheriff of that county, the sheriff of Somerset County, New Jersey has taken appropriate action. But this happens quite frequently.

How do the FTC and the FCC coordinate to combat these scams?

Mr. KAUFMAN. We coordinate quite well with them. We have frequent phone calls. We are careful that we are not overlapping in terms of the law enforcement actions. And we try to harmonize our processes and our implementation as well as we can.

Mr. LANCE. Thank you.

Mr. Harris, I am interested in your office. I do not know much about it. As I understand it, you are appointed by the chief judge of the circuit Court of Cook County. Is that accurate?

Mr. HARRIS. That is correct.

Mr. LANCE. And is that true in all of the counties in Illinois, or only in Cook County with several million people?

Mr. HARRIS. Actually, it is only in Cook County that there is a public guardian like myself. The other public guardians are appointed by the Governor.

Mr. LANCE. By the Governor in the various counties, or are there jurisdictions?

Mr. HARRIS. It would be in the various counties, which becomes a problem sometimes in downstate because some of the counties are so small.

Mr. LANCE. Yes. Yes. And then do you report to the Circuit Court of Cook County? How does that work?

Mr. HARRIS. Yes. I act under the auspices—obviously I am an appointed person on each one of my cases, and so we have to report to the court on an annual basis. We file inventories. We also file a yearly accounting and kind of a goings-on of the wards. Kind of a social on what we have done with the wards. We also file a yearly annual report with the Cook County commissioners.

Mr. LANCE. Thank you. Well, very good luck with your continued work. It is certainly a matter of strong public policy as well as the other members of the panel.

I yield back the balance of my time.

Mr. BURGESS. The gentleman yields back. The Chair thanks the gentleman.

The Chair recognizes the other gentleman from New Jersey, the ranking member of the full committee, Mr. Pallone, 5 minutes for your questions, please.

Mr. PALLONE. Thank you, Mr. Chairman.

I wanted to ask Mr. Kaufmann, a variety of consumer scams emerge during tax filing season, one of which is a phone call from a person who falsely claims to represent the IRS. I think that is what my colleague—

Mr. LANCE. Would the ranking member yield for a moment? This happened to me personally, my wife personally, yesterday. Yesterday.

Mr. PALLONE. I thought you were saying that when I walked in, but I wasn't sure. Thanks.

So, you know, this person threatens the victim with arrest, deportation, or suspension of a license if an amount of money is not paid immediately. And these scammers are very aggressive and may use personal information about the victim to seem legitimate. And it definitely has affected many constituents in my district. I mean, I am not making this up. People have, including seniors, one of whom was recently threatened with a home foreclosure if they didn't pay a specified amount.

So, Mr. Kaufman, I would like my constituents to be prepared when they receive a phone call from an IRS imposter. Can you confirm that an actual IRS agent would never call to demand immediate payment, ask for credit or debit card numbers over the phone or threaten arrest for not paying?

Mr. KAUFMAN. Yes. I can absolutely confirm that. Those are imposter scams and consumers should hang up and not provide any information.

Mr. PALLONE. All right. I appreciate that. I am probably going to repeat what you just said, just so we don't—you know, so people understand that in my district.

I wanted to ask also about reporting incidents of elderly fraud. Many consider financial exploitation to be a silent crime because victims are often too ashamed or embarrassed to report what has happened. Additionally, it can be challenging for many seniors to serve as a criminal witness, and law enforcement officials regularly identify lack of reporting and the difficulty obtaining relevant data as challenges to both identity and to combat elder financial exploitation.

So, Mr. Kaufman, can you explain the role the Consumer Sentinel Network Database plays in combatting senior financial exploitation? Are there any challenges the FTC faces with respect to the database, and what steps need to be taken to increase both the use of the database and reporting of senior financial exploitation in general?

Mr. KAUFMAN. The database is a very important tool for law enforcement agencies, and we continue to develop it and improve it. We have some enhancements in the works right now. But it really is a tool for law enforcement agencies throughout the country to have access to our millions of customer complaints, and to look for trends and to look for specific areas they might be interested in. It has been a very effective tool and many of our cases—many, many of our cases have originated from complaints that we have received and that are in our Consumer Sentinel database.

Mr. PALLONE. OK. Let me ask Ms. Canan, can you give us an update on the Consumer Complaint Database at the CFPB, how many complaints do you receive, what types of fraud are you seeing, and how has this information been useful to you in developing policy proposals?

Ms. CANAN. Well, I will say that we know that there have been in excess of 63,000 complaints that have been submitted by consumers 62 and older, since we began accepting complaints. What we do is we cull through them. We look at them to see how older consumers are faring in the marketplace. We know from looking at the complaints that there are many older consumers who are having difficulties with their mortgages and with debt collection. Those are the two largest areas that older consumers are complaining about. Which, by the way, is not unlike their younger counterparts. There is often a misconception that older consumers are not engaged fully in the marketplace. That simply is not true. And that is borne out by the complaints that we see.

Our consumer response section for complaints, of course, is focused on consumer products and services which is what the bureau focuses on. However, consumers also add narratives into their com-

plaints, and we have the opportunity to find instances of financial exploitation, of stories that are related to that, in the complaints as well.

Mr. PALLONE. All right. Thank you very much.

Thank you, Mr. Chairman.

Mr. BURGESS. The Chair thanks the gentleman. The gentleman yields back.

The Chair recognizes the gentleman from Mississippi, Mr. Harper, 5 minutes for questions, please.

Mr. HARPER. Thank you, Mr. Chairman, and thanks to each of you for being here. And we certainly have a lot of issues that need to be discussed.

I know this will come as a surprise, but we do some bipartisan work on occasion. So I, along with Representative Castor, have introduced legislation in July, H.R. 3099, the Raise Family Caregivers Act, which would implement the bipartisan recommendation of the Federal Commission on Long-Term Care that Congress require the development of a national strategy to support family caregivers, similar in scope to the national strategy developed to address Alzheimer's disease.

The bipartisan legislation would require the development, maintenance, and updating of an integrated national strategy to recognize and support family caregivers. I think this is an underreported issue. Unless you are living in the middle of it, a lot of people don't understand what is going through. My mother is almost 92. We are going through issues with sitters and ourselves trying to take care of her and deal with those issues. And it is a difficult problem for a lot of families.

And we deal with constant—and I can just tell from personal experience, for a number of years we had phone calls, you know, credit card offers, switch your credit card over here, do this, change your phone service to the cable. And then you don't like that and you can change back and we would lose her phone number. So we finally were able to get to the point, and hopefully this would be something to do to help the families that are doing this is to tell that person to say: I won't do anything until you talk to so and so, my son, my daughter, my trusted family member. And those things, you know, sometimes will help.

But this is a question for Mr. Kaufmann and Ms. Canan as well. I am interested in whether your agencies have focused on the caregiver's role in protecting the elderly from fraud. And you mentioned some, but do you have particular educational materials or guides for these caregivers and others in a fiduciary position to seniors, and how are lawyers and financial institutions dealing with the risk of fraud against their elderly clients? Mr. Kaufmann.

Mr. KAUFMAN. Sure. At the FTC we have a wide range of consumer materials available. We have got materials that are focused specifically, 14 years, our Pass It On campaign has been highly effective for seniors. But I think the CFPB has more materials on specifically caregivers and financial institutions of that nature. So I think I might defer to my colleague here.

Mr. HARPER. Miss Canan.

Ms. CANAN. Thank you. Excuse me.

Mr. HARPER. Take your time.

Ms. CANAN. I am actually very happy to have this opportunity to tell you about one of our very popular publications, which we call Managing Someone Else's Money. These are how-to user friendly guides, for non-professional fiduciaries. People who are taking care of the financial matters for a family member or a friend. And it includes information that helps the lay fiduciary know what his or her responsibilities and duties are. So, in other words, if you are caring for someone and you have access to their money, it is not OK to buy a car with those funds. Simple things like that which should be known, but unfortunately sometimes there is some confusion.

In addition, in these guides we include information about how to spot scams and frauds and what you can do to protect the person who you are caring for as a financial caregiver.

We have these national guides we are just in the process of embarking on rolling out State specific guides, including a template which would allow States to do their own as well.

Mr. HARPER. OK. You mention you had 63,000 complaints involving people 62 years of age and older. You mentioned mortgage related, debt, you know, collection. Of course we have the Federal Fair Debt Collection Practices Act that deals with a lot of that. So of that 63,000, you are not saying that all 63,000 were fraud, you are just saying those were complaints that were registered. Correct?

Ms. CANAN. Correct. That is correct.

Mr. HARPER. All right. If in the time that I have for both you, Mr. Kaufmann, and Ms. Canan as well, I am certainly very interested in the cross-agency initiatives that protect seniors from fraud, abuse, neglect and exploitation.

Would you both very quickly discuss your work with the Elder Justice Coordinating Council housed at the Department of Health and Human Services, whether the council's efforts have been constructed towards your agency's efforts, and what do you think could be improved?if I may be allowed to continue, Mr. Chairman, to an answer on that or—

Mr. BURGESS. Proceed.

Mr. HARPER. OK. Thank you.

Mr. KAUFMAN. We are members of the council. We have participated in a number of events. We have partnered with organizations throughout the country, senior organizations. We found it to be an effective tool for sharing information with other law enforcement agencies. And I can't think of any improvements at the moment.

Mr. HARPER. Thank you.

Ms. CANAN. Yes. So we are one of the 11 Federal agencies. We have been very active in participating in the Elder Justice coordinating Council. We too find it very helpful for coordinating our actions. You know, each agency brings to the table different expertise in different jurisdictions. It is clearly a situation where we need all hands on deck and our work often will compliment those of our sister agencies.

Mr. HARPER. Thank you very much.

I yield back.

Mr. BURGESS. The Chair thanks the gentleman. The gentleman yields back.

The Chair recognizes the gentleman from Massachusetts, Mr. Kennedy, 5 minutes for questions, please.

Mr. KENNEDY. Thank you, Mr. Chairman. Appreciate it. Always a pleasure to hear you get Massachusetts out of the—as often as we possible can from our friends from Texas. So thank you very much.

To the distinguished panel, thank you very much for being here. It is a pleasure to have you here. And I wanted to focus on an aspect of Medicare if we can.

Their open enrollment period started on October 15 and runs through December 7. For the Nation's 54 million Medicare beneficiaries, this is an important time to consider changes to their health and drug plans. However, Medicare beneficiaries should be vigilant as this period also represents an opportunity for fraud.

According to a recent article by U.S. News and World Report, a common request for Medicare scams is that a victim reveal their Medicare number. It is important that our seniors know how easy it is to spot these open enrollment scams.

So, Mr. Kaufman, I would like to start with you, sir. I understand that the FTC won a victory in Federal Court last October after filing a complaint against a telemarketing scheme that was designed to trick and did trick seniors by pretending to be part of Medicare. Could you describe the specifics of that case and why that victory is so important for consumers?

Mr. KAUFMAN. Sure. Thank you for acknowledging this case. It is a very important case. The entity was called Sun Bright. Telemarketers were claiming to be affiliated with Medicare. They falsely promised new cards for consumers and required people to provide their bank account numbers. They of course used those bank account numbers to withdrawal several hundred dollars from the consumers that were contacted.

It is very consistent with the cases we have seen repeatedly where they are misrepresenting affiliations with Government entities or other entities in order to scam consumers out of their personal information and then out of their financial benefits.

Mr. KENNEDY. So how does the FTC then coordinate with CMS to prevent this type of fraud?

Mr. KAUFMAN. We do work with them. We talk to them. We also issue alerts. When there are changes in health benefits that are publicly available, we know that the frauds will follow. That is one thing we have always seen at the FTC. When there is a new program, a new scare, frauds will always follow from it. So we will always issue alerts and scam alerts and blog about it.

Mr. KENNEDY. And just so everyone is clear, Mr. Kaufman, is it true that Medicare will never call or email seniors with products offered or for requests for their Medicare number?

Mr. KAUFMAN. That is correct. And they will not ask for your bank account information in particular.

Mr. KENNEDY. And insurance agents are not allowed to visit your home to sell or endorse any Medicare product. Is that right?

Mr. KAUFMAN. That is my understanding, but I would have to verify that and get back to you if that's OK.

Mr. KENNEDY. My understanding as well. But thank you. So what should consumers do if they or someone they know has received one of these fake Medicare solicitations?

Mr. KAUFMAN. Hopefully they have not provided their information. If they have, they should contact their bank immediately and try to rectify the situation. They should also file a complaint with the FTC at ftc.gov/complaint.

Mr. KENNEDY. Great. Thank you very much sir. Any of the other witnesses have anything to add?

With that I yield back.

Ms. SCHAKOWSKY. I was just going to dig in my purse for my Medicare card. Every once in awhile we hear from people who say how come Social Security numbers are on the Medicare card? So it is in the wallets of everybody who is over 65, and we are told that it would be very cumbersome and costly to change that, but is that a bad idea? Either one of you can answer. It is right there. That is the number. So when we talk about Medicare number, it is a Social Security number.

Mr. BURGESS. Will the gentlelady yield on that point?

Ms. SCHAKOWSKY. Yes.

Mr. BURGESS. And I am not sure about this, and I will to look into it for you, but I believe in the Medicare reform that we passed in March and April of this year, the removal of the Social Security card, that was one of the Ways and Means provisions that was added to the bill called MACRA that was passed earlier this year, the bill that repealed the sustainable growth rate formula. But I will find out about that because that was a weakness inherent in the system.

Mr. KAUFMAN. But I very much agree with you. It is important that Social Security numbers not be shared or readily accessible or publicly displayed, but we would be glad to talk to you more about that issue.

Ms. SCHAKOWSKY. OK. And maybe we did fix it. That is good.

Mr. BURGESS. Every now and then we fix something. The Chair thanks the gentlelady. The Chair recognizes the gentleman from Oklahoma, Mr. Mullin, for 5 minutes for questions.

Mr. MULLIN. I can honestly tell you I can't tell you what a card for Medicare looks like. I haven't got one. Anyways, thank you so much for being here.

Something started happening to us about a month ago in our office which was very odd. We started getting people calling us, saying they had received a call from our office, pretending to be from our office to get personal information. And it worries me because their automatic trust that we have built with our constituents is getting phone calls from people supposedly being from our office.

Now, I can imagine in business we use a rule that you only receive roughly around 1 percent of your actual complaints, and I would wonder if that factor would play true that I am only receiving about 1 percent of those that are receiving those calls. Now, is there an enforcement that—do we lack enforcement? Do we lack the ability to go after these individuals even if we get their information? What is the penalties for doing this? And Mr. Kaufmann or Ms. Canan, can one of you guys talk on that?

Mr. KAUFMAN. We have definitely seen a rise in imposter scams. I have also received phone calls in my office from people who have been contacted by me who were not contacted by me. So it is definitely a prevalent scheme and fraud that is out there.

The FTC is bringing actions when we can find the perpetrators. We are a civil law enforcement agency, so we can only bring civil actions. We also know criminal law enforcement is looking at it as well. But consumer education is a really important focus here.

Mr. MULLIN. Well, we talk about consumer education, but I will just use my grandparents for example. They are checked out. And I am not saying that in a bad way. My grandpa is Papa, he is 94 years old. Grandma is I think 89. They are not reading these manuals that come out. They are not getting online. They are not reading this stuff. We are talking about the most vulnerable. Ones that didn't grow up with the computers, one that has a cell phone but the numbers are this big on it. Information is for younger generations, not these other generations.

Mr. KAUFMAN. Well I would encourage you to take a look at our Pass it On brochure. We have a one-pager on imposter scams. It is about three paragraphs long. It describes what the scams are, what they are trying to do, and what consumers should do. We researched with seniors to find out effective ways to communicate it.

Mr. MULLIN. Right. I get that, but what I am saying is, is there an enforcement problem here? Because it is growing. It is not going backwards, and obviously it is profitable or they wouldn't be doing it. So how can we help you on the enforcement side of it? There has to be someone knowing that if you do this there is a better chance you are going to get caught, not a very slim chance you are going to get caught.

Mr. KAUFMAN. We continue to bring cases. There is always more that we can do. We are also getting more and more criminal law enforcement agencies interested. So I think the combination of the FTC working with other law enforcement agencies is starting to make a dent, but it is a problem.

Mr. MULLIN. Mr. Harris, I believe, if I understand it correctly, you guys have recovered roughly, is it \$50 million in stolen assets?

Mr. HARRIS. Yes.

Mr. MULLIN. What are your best tools? Maybe we can work together here, because if they were able to recover that out of one county, I am just floored.

Mr. HARRIS. I think, you know, we too are a civil litigation organization, and for us the more practical thing is to get the money back because they need it. You know, the people we work with need it.

I think that criminal enforcement is important. And when I first became public guardian almost 11 years ago, I think there was fewer criminal cases being brought against people, again because of problems with witnesses and recordkeeping and telling. But since then it has increased, the amount of litigation, both from the State's Attorney's office in Cook County as well as the U.S. Attorney's Office.

Mr. MULLIN. So, Mr. Harris, what I am trying to get to though, is what is the most effective tools you are using, to make that happen in one county, to recover \$50 million?

Mr. HARRIS. We largely work with the Probate Act, and there is a specific section of the Probate Act called the Citations Section in which we can recover properties that have been embezzled, stolen, concealed from wards. It is really just us lawyers doing our work and doing our job.

Mr. MULLIN. How do you find the people?

Mr. HARRIS. We get referrals from all sources, from banks, from neighbors, from churches, from hospitals. And once we have an intake and if they qualify, then those are cases that we go after.

Mr. MULLIN. So really basically you have to just spend the time. You have got to be able to have the resources to be able to spend the time to go after and follow the lead—

Mr. HARRIS. That is absolutely true. When I first became public guardian, we had one person working on it. Because of the growth in this area, we have added more resources, and I work on it and other people as well.

Mr. MULLIN. Mr. Harris, I appreciate it.

And, Mr. Kaufman and Ms. Canan, I do appreciate what you are doing, but I really think we are going to have to step up the enforcement side of it. As I go back to say what I said earlier, we have got to make it to where they believe there is better chance they are going to get caught than a slim chance they are going to get caught.

Mr. Chairman, I yield back.

Mr. BURGESS. The Chair thanks the gentleman. The Chair recognizes the gentlelady from Indiana, Mrs. Brooks, 5 minutes for your questions, please.

Mrs. BROOKS. In my home State of Indiana, our Attorney General is taking a lead in combatting fraud targeting seniors. Six years ago they launched a free senior consumer protection workshop that has actually traveled to all 92 counties in Indiana, and has reached over 2,000 elderly Hoosiers and their families. And I appreciate that we have to take a multilevel approach in working on this, whether it is the Federal, State, or local levels.

And I do have to say that when you think about retirement security, and I talk about security a lot, and retirement security is part of that, when I am out talking with constituents, people often are embarrassed. They don't want to share if they have been scammed. And I appreciate the work that you all are doing. They don't want to share with their families. They don't want to share, they don't want to talk about it, and it might even take a while for them to realize it.

I am a former U.S. attorney, and I am curious whether or not any U.S. attorney's offices, whether in the civil division or the criminal division, are engaged? I know they are on identity theft because that is something that we have been working on for a very, very long time, as the Justice Department has worked on it. I am curious whether or not any of you are working with any U.S. attorney's offices on any task forces, whether it is a civil division or a criminal division? This is for any of you.

Mr. KAUFMAN. Sure. We work closely with a number of U.S. attorneys throughout the country. We have the Criminal Liaison Unit at the FTC. Although we lack criminal authority, we realize that a lot of our cases should be prosecuted criminally, and we pro-

vide referrals, leads, information to the Court, to criminal law enforcement.

Indeed, since we started this program in 2003, well, over 700 of our defendants have been prosecuted criminally on a variety of frauds, not just seniors.

Mrs. BROOKS. Right. OK. Terrific. Mrs. Canan?

Ms. CANAN. So I am in the consumer education division in the bureau, and I would have to get back to you regarding whether our enforcement teams are engaged with U.S. attorneys. I suspect that they are.

I know that we are in frequent contact with the Department of Justice, and we have frequent communications with DAs around the country who are prosecuting elder exploitation and abuse.

Mrs. BROOKS. Terrific. Mr. Harris?

Mr. HARRIS. In our small office we do work with the U.S. Attorney's Office. I think it is the relationships have developed over the years in working with cases. It has worked out very well. We have even worked with the postal inspectors on some cases as well.

So I think it becomes for us, it becomes relationship building, and I think we have established that, at least in Chicago.

Mrs. BROOKS. OK. Thank you. Just with respect to your respective agencies, I am curious; how many people work on this specifically? How many FTEs, going back to my days in Justice. How FTEs are kind of focused on this?

Mr. KAUFMAN. At the FTC we don't have our attorneys designated as working specifically on senior issues, so they are really spread throughout our Bureau. We have about 440 people in the Bureau of Consumer Protection, working on a wide range of issues, but we have brought a number of cases affecting seniors, and it is an area of interest throughout our Bureau.

Mrs. BROOKS. Thank you. Ms. Canan?

Ms. CANAN. So our office is small. We are determined and dedicated, but we are small. We are under 10 full-time employees. But we have the benefit of being able to work with other divisions and offices throughout the Bureau.

So, when we become aware of a particular problem where it appears that it may include violations of the law, we bring in other divisions that have the ability to engage in enforcement or supervision. We also have a market division and research division, too. So we are frequently working. So even though we are small, we have the benefit of being able to work with others around the Bureau.

Mrs. BROOKS. Thank you. Mr. Kaufman, when the FTC does, on those rare occasions when you recover the funds, how is it determined, how do you ensure that the victims ever receive the funds?

Mr. KAUFMAN. That is always our first priority. If there is enough money to get back to consumers, we get customer lists, and we will do some sort of pro rata distribution. There are cases where we are very successful on that. There are cases where the funds are no longer available and we can't find them. But our number one priority—well, number one is stopping the conduct. Number two is getting money back to the consumers.

Mrs. BROOKS. How does that happen actually?

Mr. KAUFMAN. We actually have a redress office in our Bureau that coordinates it. We have contractors we work with. Depending on the nature of the fraud, often we will have customer lists and we can just send out checks. Sometimes there might be a claims process. It varies depending upon how the consumers were defrauded and what information we have.

Mrs. BROOKS. OK. And just one last question if I might, Mr. Chairman. How do we make sure, Mr. Harris, when so many of these financial abuse go underreported, underrecognized, underprosecuted, what would you like for us to do?

Mr. HARRIS. I think one of the things that is lacking are organizations like mine, not necessarily that do guardianship work, but that focus on recovering moneys on a local level for seniors. There is a lot of people we can't help, and if there is some way that the Federal Government can support legal assistance foundations, or other legal services, you know, for establishing attorneys in those offices that focus specifically on this area, I think that would be very helpful.

Mrs. BROOKS. Thank you all for your work. I yield back.

Mr. BURGESS. The Chair thanks the gentlelady. The gentlelady yields back. The Chair recognizes the gentleman from North Carolina, Mr. Butterfield, 5 minutes for questions, please.

Mr. BUTTERFIELD. Thank you very much, Mr. Chairman, for convening this important hearing today, and thank you to the three witnesses, Mr. Kaufman, Ms. Canan, and Mr. Harris. Mr. Harris, I am not going to be able to get to you today, but these questions going to be directed to the other two. Please don't take that personally.

But I know a little bit about the Cook County Public Guardian Program. It is one of the best in the Nation. What was your predecessor's name, the gentleman that was there before you.

Mr. HARRIS. Patrick Murphy.

Mr. BUTTERFIELD. Patrick Murphy, that was his name. My daughter, stepdaughter, Tracey Caveness Glass—don't get surprised, but that was my stepdaughter. She worked for Patrick for some years there in Chicago.

I never heard of the Public Guardian Program until she went to work there, and I have the greatest amount of respect. So thank you for the work that you do.

Mr. HARRIS. Thank you.

Mr. BUTTERFIELD. The FTC recently created a program called Pass it On, in which the Commission reaches out to older Americans with information about avoiding common types of fraud by contacting them at places where they gather and interact, like libraries, clubs, and adult living facilities.

And so Mr. Kaufman, let's start with you. Can you explain why that approach might be more effective at disseminating the anti-fraud information than, say, publishing the information on a Web site or even a mailer?

Mr. KAUFMAN. Absolutely. We engaged in research before we instituted the Pass it On program. We met with seniors, we met with people who provide support with seniors. We discussed what is the best way to effectively communicate information in short, clear, concise information on specific topics. We have so far given way I

think about 3 million copies of it to I think it is more than 8,000 different organizations around the country. So there is a lot of research and thinking that went through it, and we are going to issue additional aspects of it in the coming year.

Mr. BUTTERFIELD. The Pass it On initiative seems to emphasize the importance of striking the right tone in educating seniors about potential fraudulent schemes that is respectful and nonjudgmental. Do you find that seniors, Mr. Kaufman, respond better to advice given to them by people of their own age, their own generation? How can the financial literacy community honor this preference going forward?

Mr. KAUFMAN. Our research has shown that it is an effective tool. This is a campaign that we launched about a year ago. We are continuing to explore it, but it has shown effectiveness, and it has been very successful. We have gotten a lot of very positive feedback about the program. We will continue to monitor it and see how it can be modified and improved over time.

Mr. BUTTERFIELD. And Ms. Canan, as someone who also promotes financial literacy, do you agree with this approach in general?

Ms. CANAN. Yes, we do. And we have very similar materials, or at least the type of materials that are written in plain language that are nonjudgmental, and we frequently will actually use the FTC's materials, its Pass it On materials, and we go to conferences together and share tables and distribute our materials jointly.

Mr. BUTTERFIELD. All right. Finally, Mr. Chairman, the FTC conducted a workshop in October of last year that explored some of these issues, including how fraud affects different communities in different ways. Mr. Kaufman, what were some of the outcomes from this workshop in terms of the senior community? Do consumer groups and the industry know how to address the problems that are really, really unique?

Mr. KAUFMAN. Yes. Our Every Community Initiative, we kicked it off about a year, year and a half ago. Actually Pass it On is one of the results of that. We realized we had experts on senior issues that provided information about best ways to reach seniors.

We also focused on issues affecting Spanish-speaking Americans, African Americans, and that continues to be a very important issue for us. We are looking for law enforcement actions and targets where they are targeting specific populations, and we want to make sure that our law enforcement and our education programs reach all Americans.

Mr. BUTTERFIELD. Very well said. And I thank all three of you. Mr. Chairman, I am going to set a record today. I have got to be in the Cannon Building in about 30 seconds, and so I am going to yield back. I yield back.

Mr. BURGESS. The Chair thanks the gentleman. The Chair recognizes the gentleman from Kentucky, Mr. Guthrie, 5 minutes for your questions, please.

Mr. GUTHRIE. Thank you very much. I appreciate that. And thank you, Mr. Chairman. Thank you for being here. I have been in another hearing of the subcommittee of the same committee, so I apologize, I missed some of it. Mr. Kaufman and Ms. Canan, I want to ask you a couple questions on your regional offices. How

involved are your regional offices in combatting fraud against the elderly?

Mr. KAUFMAN. Our regional offices, we have eight throughout the country, are incredibly involved. They do a good deal of our litigation. They do a lot of our fraud work, and they also do a lot of outreach on the local level.

So, actually our regional offices provide enormous benefits to the Bureau, and it is very important to us that they are there and they are on the ground and bringing actions and doing outreach.

Mr. GUTHRIE. OK. Ms. Canan?

Ms. CANAN. So I may have to get back to you with more detailed information because I don't want to say anything that may be incorrect, but it is my understanding that our regional offices are mostly occupied by our examiners. We have a full team of examiners that are examining financial institutions.

And nonetheless, in our headquarters we have a nationwide approach. And our enforcement actions are nationwide. Our consumer education engagement is nationwide as well.

Mr. GUTHRIE. OK. Do either of you guys—it may not be as applicable to you, Ms. Canan, given the setup of your regional offices—but do either of your agencies measure engagement on this issue on a regional level to see if there are trends that either target or scam seniors in one area more than another?

Ms. CANAN. I will start. Yes, absolutely. So, we are frequently going through our consumer complaints, just as one example. And in the process of doing that, we look for geographical, you know, spikes in complaints and things of that sort. In addition we are frequently conferring with stakeholders that are nationwide around the country, having calls and hearing from people on the ground about particular problems that they are seeing.

Mr. GUTHRIE. OK.

Mr. KAUFMAN. And at the FTC we have hosted over the past few years, 30 different what we call Common Ground Conferences throughout the country. We get together law enforcers from other Federal agencies, local authorities, consumer organizations, and we have a daylong discussion of the issues that they are seeing. So it is a way for us to get more information to develop relationships and to keep abreast of trends that are happening.

Mr. GUTHRIE. OK, thank you. And then also, Mr. Kaufman, actually Mr. Butterfield kind of went down the path I was going to go. I wanted to hear more about the Pass it On program, which I think you have explained well. You said you are going to be looking at the effectiveness of the Pass it On. I know you have other programs. How do you all measure the effectiveness? What do you all when do you a review of effectiveness?

Mr. KAUFMAN. You know, it is challenging to measure effectiveness in fraud. That is something we wrestle with. We bring a lot of law enforcement. We do a lot of consumer education. Our materials seem to be popular. There is a high demand. We get a lot of requests for it. We have a lot of organizations that take our materials and just stamp their logo on it and use it, and we are delighted when they do that. We just want to get the message out.

But measuring effectiveness is challenging. We keep bringing more cases, and that is one measure of our success. And

thereceptiveness people have to our materials is one measure as well, but it is a challenge to precisely measure how effective are we being. We also, I will say, do a survey every year of one of our consumer education Web sites to see whether consumers are satisfied with it, and we have done quite well there as well.

Mr. GUTHRIE. OK. A lot of times it is hard to measure the crime that you prevent from being committed. It is hard to define that. I understand that. Well thank you, and I will join Mr. Butterfield in yielding back time.

Mr. BURGESS. The Chair thanks the gentleman. The Chair recognizes the gentleman from Florida, Mr. Bilirakis, for 5 minutes of questions.

Mr. BILIRAKIS. Thank you, Mr. Chairman. I appreciate it, and I thank the panel for their testimony. Mr. Kaufman, in your testimony you state the importance of the FTC recognizing trends in fraud against the elderly as the population of older Americans continues to grow. As you may know, the census estimates that the number of seniors 65 and older will surpass Americans under age 18 for the first time. Actually we are 18 years away from that, 2033.

So what resources is the FTC putting toward following trends and fraud against the elderly, allocating resources to enforce against criminals targeting the elderly and educating seniors of the risks?

Mr. KAUFMAN. It is a very important priority area for us. Our Consumer Sentinel database, which has millions of complaints, is an incredibly important tool for us. It is self-reported information that we get at the FTC as well as other law enforcement agencies, the BBBs. They all share information, put it into this database, and we are very frequently analyzing it, looking for trends, and looking for developments. We are also continuing teaching more law enforcement and more outreach. It is a very important priority for us.

Mr. BILIRAKIS. OK good. And I want to commend you. I have had several senior seminars in my area in central Florida, and you participated, the FTC has, and they have done a wonderful job.

And maybe this question also is for Mr. Harris. Is there a line, maybe anonymous line, where someone, a friend of a loved one who is having trouble, and elderly person is having trouble or maybe has been taken advantage of where a person can call and report an incident?

Mr. KAUFMAN. We collect complaints as ftc.gov/complaints, and we also have a toll-free number; it is 1-877-FTCHELP.

Mr. BILIRAKIS. Very good. Sir, is there a number—I know that you do a wonderful job but most seniors do not qualify for your services. Do you refer some seniors to other programs where they can be helped? And also is there an anonymous line or maybe a 211—we have 211 in Florida—where a person can call and be made aware of some of these services?

But specifically is there an anonymous line where maybe a friend of a loved one who is having difficulty can share those concerns with your particular program?

Mr. HARRIS. With my office you can call our office directly at 312-603-0800, and we would refer you to either to an adult protec-

tive services agency that is monitored by the State of Illinois, or the City of Chicago, or you can call 311 quite frankly in Chicago and get help in that way as well.

Mr. BILIRAKIS. What are the ways that you gather information with regard to maybe candidates that need your services?

Mr. HARRIS. We talk to their medical providers, doctors. We also have some investigatory power to look at previous reports of adult abuse or exploitation of some of our wards. We also have some access to financial records, vis—vis an investigatory process if we opened it for an intake.

We use subpoena power once we have a case that is opened and other legal tools like depositions and other discovery tools.

Mr. BILIRAKIS. Very good. Thank you. And I will follow the trend and yield back my time. Thank you, Mr. Chairman.

Mr. BURGESS. The Chair thanks the gentleman. The Chair just does want to observe because questions did come up on Social Security numbers on Medicare cards, and that, indeed, was part of the law that was passed in April. My understanding, and I have got crack staff who are always watching me, and they provided me the information. I think it is within 4 years' time. It is an agreement between the Secretary of Health and Human Services and the Commissioner for Social Security, but that is a change that is coming. It is not going to be an immediate change. If anyone gets their Medicare card in the next couple of months, it may very well not have reflected that change, but it was passed by the House and Senate, signed into law by the President, so one of those times where things did work as intended.

Seeing that there are no further Members wishing to ask questions for the first panel, I wanted to thank our witnesses for being here today. This will conclude our first panel, and we will take a 2-minute recess to set up for the second panel.

[Recess.]

Mr. BURGESS. I want to welcome everyone back. Thank you for your patience and taking time to be here today. We will move into the second panel for today's hearing. We will follow the same format as the first panel. Each witness will be given 5 minutes for an opening statement followed by a round of questions from Members.

For our second panel, we want to welcome the following witnesses: Professor Charles Wallace, the Undergraduate Program Director For Computer Science at Michigan Technical University; and Ms. Tobie Stanger, Senior Editor for Consumer Reports. We appreciate both of you being here this morning. We will begin with you, Professor Wallace, and you are recognized for 5 minutes for an opening statement, please.

STATEMENTS OF CHARLES WALLACE, DIRECTOR OF UNDERGRADUATE STUDIES, COMPUTER SCIENCE DEPARTMENT, MICHIGAN TECHNOLOGICAL UNIVERSITY, AND TOBIE STANGER, SENIOR EDITOR, CONSUMER REPORTS

STATEMENT OF CHARLES WALLACE

Mr. WALLACE. Very well. Thank you, members of the subcommittee, for the opportunity to speak at this meeting. And the

students in my discrete math course, who get the day off, also thank you.

My name is Charles Wallace. I am Associate Professor of Computer Science at Michigan Technological University. Michigan Tech is a researched-focused university located in the upper Peninsula of Michigan with an emphasis on technology, engineering, and scientific degree programs.

For the past 4 years, our Breaking Digital Barriers Group at Michigan Tech, has organized and participated in an ongoing outreach program in conjunction with the local public library called Online at the Library. It trains elderly residents of our rural community in digital literacy skills and exposes our students to the realities faced by digital non-natives.

Through our experiences, we have identified recurring themes. Of these, the theme most germane to the current hearing is anxiety versus exploration. Lacking appropriate grounding in this new technology, our senior patrons alternate between naive trust and paralyzing suspicion, neither of which leads to comfortable, productive use. Our program addresses this problem by providing a safe place for learning among peers, interaction with mentors who model appropriate use, and develops a healthy balance between caution and exploration.

Residents over age 65 constitute over 15 percent of the population of our rural area. Because of the larger-than-average number of elders without family support, many of whom are below the poverty line, there is a strong need to help with digital literacy in this community. The experience of using a computing device is well known to cause anxiety in elders, and our experiences bear this out. Many learners are fearful of going online because of stories of fraud and identity theft they have heard in the media and experiences of relatives and friends.

Without a basis of understanding for how malware and other threats work, they have no model for how to minimize their threat level. Anything can be a threat. So many learners fear using a computer altogether. One unfortunate consequence of this anxiety is the reluctance to explore. And for newcomers to a software product or service, this is a vital form of learning, exploration.

To complicate matters further, in practice it is often far from clear whether a user is a victim of true criminals or simply aggressive businesses pushing a product. For example, Mitch, a 60-year-old recreational computer user runs a small service-based local business. He paid a company hundreds of dollars because they convinced him, after many hours on the phone, that his business needed to be on prioritized search lists through Google and Bing. However, Mitch did not know what the service was or how it helped his business, how he could access his accounts with the service, or where he would be able to see the effects of the service.

After several months, he attended as a participant in the library help sessions and described his experience. Tutors determined after a lot of exploring and calling the company that sold the service to him, what the service does and explained to him what he had paid for. Mitch's business has no online presence, and being a local business, being searchable as an advertiser on search engines does not help him. In this case, Mitch was not a victim of fraud or theft

strictly speaking but paid a legitimate business to help him without understanding the services he was paying for. It is clear that basic literacy and secure online behavior is an essential weapon in fighting fraud against the elderly.

We believe that Online At the Library serves as an effective and replicable learning model, a safe place for learning, asking potentially embarrassing questions, and gaining strength from seeing peers in the same position, personal contact with mentors who can model appropriate behavior and attitudes. Development of healthy online behavior, finding a balance that keeps seniors safe without stifling their creativity and productive energy.

Breaking Digital Barriers members are developing a sociotechnological approach to help older learners with strategies for navigating the Internet. This approach involves small interactive group learning activities, along with software tools to help them with navigation. Over the next 2 years Breaking Digital Barriers will help similar learning programs around the upper Peninsula of Michigan and through the rest of Michigan. More information can be found at our Breaking Digital Barriers Web site at mtu.edu/bdb. Thank you.

[The prepared statement of Mr. Wallace follows:]

Breaking Digital Barriers:
Promoting a safe, productive online presence for senior citizens
 Testimony submitted to the House CMT Subcommittee hearing
 "Fighting Fraud Against the Elderly: An Update", October 23, 2015

Charles Wallace

Associate Professor, Computer Science Department, Michigan Technological University

Summary. In today's world, technological change outpaces many people's ability to comprehend or trust it, let alone embrace it. It is vitally important that developers of technology for the elderly are grounded in the needs, experience, and capabilities of the people they seek to help. For the past four years, the *Breaking Digital Barriers* group at Michigan Technological University has organized and participated in an ongoing outreach program called *Online at the Library* that trains elderly residents of our rural community in digital literacy skills and exposes our students to the realities faced by digital non-natives. The attendees at our help sessions, having been left behind in earlier iterations of the technological revolution, exemplify the challenges facing the designers of tomorrow's technology. Through our experiences, we have identified recurring themes. Of these, the theme most germane to the current hearing is "anxiety vs. exploration": lacking appropriate grounding in the new technology, our senior patrons alternate between naïve trust and paralyzing suspicion, neither of which leads to comfortable, productive use. Our program addresses this problem by providing a safe place for learning among peers, interaction with mentors who model appropriate use, and developing a healthy balance between caution and exploration.

In this document, we briefly cover the motivation and background for our project, we offer real examples of seniors struggling with both the reality and the fear of online fraud, and we offer our program as a model for engagement with the elderly, helping them overcome their obstacles to online activity and close avenues for fraud.

Motivation. The Internet-fueled explosion of digital technology use in the late 20th century promised much for the elderly: a wealth of news and health information and the ability to stay in touch with distant friends and family, to name a few examples. To a great extent, these promises have been fulfilled, but at a certain cost: digital literacy is quickly moving from an attractive option to a necessity. In many cases, paying utility bills or performing certain bank transactions may only be available online. Keeping up with communication from one's local church, medical facilities, and contacts has become ever more difficult without the use of digital technology. The electronic tools they must use vary across platforms and over time, and traditional forms of learning are unavailable or inadequate. Even simple device-local tasks on PCs or tablets can be challenging, let alone the use of services through these devices.

When we design and build the technology to support an aging population staying at home, we need to consider it from a grounded perspective that takes into account the particular characteristics of this population. We need to acknowledge the barriers confronting them as they attempt to adopt more powerful, pervasive technology. We need to learn what knowledge and skills they have picked up earlier as users, and how it affects their adoption of new technology. Finally, we need to be realistic about the degree to which elders are willing to bring more pervasive technology into their lives.

Background. Since 2011, students at our university have been meeting weekly at the local public library with community members, most of them 60 years of age or older. This series of meetings, called "Online at the Library", provides one-on-one tutoring for people with questions about digital technology. Some participants are ordinary people who may have never used a computer but suddenly find themselves required to conduct online banking transactions or update electronic retirement information. Others may have used computers but have fallen out of practice. Still others need help transferring skills from PCs to new mobile devices. As we continue to move the technological bar, we are leaving these people behind. It is a moral imperative that we listen to their stories and address their needs as we develop the technologies of tomorrow.

Our Online at the Library experiences are colored by the particular character of our local area and our university. Michigan Tech is located in the far northwest corner of the U.S. State of Michigan, near the shore of Lake Superior. Our program precipitates some unlikely pairings: on one hand, local residents with long family ties to the area and varying levels of technological literacy; on the other hand, student tutors from around the globe, with extensive interest and experience in technology.

A copper boom in the 19th century brought wealth, industry, and a wide range of immigrants to this remote area. It also spurred the founding of Michigan College of Mines in 1885, later renamed Michigan Technological University. This mixture of mining, immigrants, and technology in a remote community has continued to shape the character of this area. By 1969, the last of the mines closed permanently; many of the villages and larger towns have shrunk drastically or even disappeared. The disappearance of mining jobs provoked flight from the area, primarily among younger people. The population of Houghton County has steadily decreased since the early 20th century – a decline of over 50% in the past century.

County residents over age 65 constitute over 15% of the population, 2% more than the U.S. average. Many of their relatives live far away, and those who stay struggle to get by in an economically depressed area with few jobs outside the university. In spite of the hard economic conditions, there is a strong sense of identification with the area among the elderly, and this along with financial constraints keeps many elderly in the area. Because of the larger than average number of elders without family support, many of whom are below the poverty limit, there is a strong need to help with digital literacy in this community.

Michigan Tech is a research-focused university with an emphasis on technology, engineering, and scientific degree programs. Students in the Computer Science, Cognitive & Learning Sciences and Humanities departments provide most of the help at Online at the Library. International students make up a sizeable portion of the graduate enrollment, and they are well represented at our help sessions: our tutors include Chinese, Indian and Nepalese nationals along with U.S. citizens.

Anxiety vs. exploration. The experience of using a computing device is well known to cause anxiety in elders, and our experiences bear this out. A common concern for computer owners in our group is that something they do will "break" their investment. Even routine activities cause anxiety as users fear accidentally going "off script".

Many learners are fearful of going online because of stories of fraud and identity theft they have heard in the media. Without a basis of understanding for how malware and other threats work, they have no model for how to minimize their threat level. Anything can be a

threat, so many learners fear using a computer altogether. One unfortunate consequence of this anxiety is the reluctance to explore. For newcomers to a software product or service, there is a vital form of learning that comes from exploration.

To complicate matters further, in practice it is often far from clear whether a user is a victim of true criminals or simply aggressive businesses pushing a product:

Mitch is a 60 year old recreational computer user. He runs a small service based local business. He paid a company hundreds of dollars because they convinced him, after many hours on the phone, that his business needed to be on prioritized search lists for Google and Bing. However, Mitch did not know what the service was or how it helped his business, how he could access his accounts with the service, or where he would be able to see the effects of the service. After several months, he attended as a participant in the library help sessions and described his experience. Tutors determined after a lot of exploring and calling the company that sold the service to him what the service does and explained to him what he had paid for. Mitch's business has no online presence and being a local business, being searchable as an advertisement on search engines does not help him.

In this case, Mitch was not a victim of fraud or theft but paid a legitimate business to help him, without understanding the services he was paying for.

News coverage of malware and spyware, coupled with stories of privacy abuses by companies such as Google, have terrified our elderly learners:

Marsha explained in great detail that if she used an online calendar service it would be easier for her to manage her busy schedule but someone on the internet would be able to spy on her and know where she was. Her biggest fear was that Google was going to know where she was because her schedule would be online.

In another case, a senior user was overly suspicious of a legitimate online service that may actually have saved her money:

Diane proudly announced that she had cancelled Amazon Prime. Evidently her husband had signed up for a trial membership and then was charged the yearly subscription price. She thought her husband had been tricked into paying for this online television service and that they were wasting money since they already had cable and don't watch anything online. She had no idea about the free shipping and it turns out that they are very frequent Amazon shoppers.

Along with these stories of stifling anxiety, we see many cases of the opposite: senior users who trust too much. In the words of one tutor:

I often see older people at our sessions visiting sites I would call sketchy at best, or reading every email sent to them – because someone sent it to them, so it must be important. Often they attribute the email to an acquaintance or relative, even if it is junk mail or spam or a phishing attempt. I haven't seen anyone open a malware attachment, but I've had to help clean computers after people did so. In the real world, people are often less trusting or have simply learned to avoid the dodgy parts of town or throw away junk mail without reading it. Why don't these skills transfer?

Online at the Library. Learners and tutors meet at the local public library every Friday morning. The library presents a less intimidating venue than the university computer labs, and it represents a link between familiar, traditional forms of literacy and the new digital literacy. Tutors assign themselves to learners on an as-needed basis. A typical session has around 10-15 learners and 6-8 tutors, so tutors often alternate between more than one learner. There are computers at the library available for our use, but many people come with their own computers.

The tutor and learner arrive at an informal set of goals and activities for the session. Tutors customize their approach to the perceived level of competency of their learners. Many learners attend the sessions regularly and continue working on issues from a previous session. Often the self-identified beginners work as a group separately with a tutor. At appropriate teaching moments, the tutors explain concepts to the learners to aid their understanding. We encourage learners to persist through challenging situations, keeping the amount of “steering” done by the tutors at a minimum. We also encourage tutors to articulate their own habits and approaches to working online, so that they can serve as a model for our senior learners.

Tutors, of course, constitute a learning community of their own. Students from Michigan Tech can join the tutoring team at any time. Upon entering the program, a process of legitimate peripheral participation ensures: new tutors watch experience ones in action, then team-teach with an experienced tutor or take on small-scale tasks until they achieve a level of comfort. Tutors contribute to a project blog, reporting their weekly interactions from which the stories in this paper derive. Our posts are essentially ethnographic studies that fill out the details about each learner with every weekly meeting. We are now at an interesting stage where some learners have expressed the confidence and willingness to “give back” and serve as tutors themselves.

In addition to the one-on-one tutoring sessions, we have offered occasional short courses on particular themes. Most relevant to this hearing is a course entitled “Staying Safe Online”. Attendees are presented with examples of fraudulent email material side by side with traditional physical junk mail. The course attempts to tap into seniors’ intuitions about traditional forms of communication, encouraging them to maintain a similar skepticism about electronic correspondence.

Conclusion. It is clear that basic literacy in secure online behavior is an essential weapon in “Fighting Fraud against the Elderly”. We believe that Online at the Library serves as an effective and replicable learning model:

- A safe place for learning, asking potentially embarrassing questions, and gaining strength from seeing peers in the same position.
- Personal contact with mentors who can model appropriate behavior and attitudes.
- Development of healthy online behavior, finding a balance that keeps seniors safe without stifling their creativity and productive energy.

This program has served over 80 local residents and engaged 40 students as tutors. The BDB team has developed graduate courses on digital literacy, accessibility and usability design for older users. BDB members are developing a socio-technological approach to help older learners with “wayfinding” strategies for navigation within web applications. This approach involves small interactive group learning activities along with software tools for

annotation of web navigation. Over the next two years, BDB will help build similar learning programs, using our techniques, in the central and eastern regions of the Upper Peninsula. The goal by 2017 is to have 200 older learners, 100 student tutors, and a tested program to serve as a national model. More information can be found at the Breaking Digital Barriers website: <http://mtu.edu/bdb>

Mr. BURGESS. The Chair thanks the gentleman.

Ms. Stanger, you are recognized for 5 minutes for questions, please.

STATEMENT OF TOBIE STANGER

Ms. STANGER. Chairman Burgess, Ranking Member Schakowsky, committee members, thank you for inviting me to speak. My name is Tobie Stanger. I am a Senior Editor at Consumer Reports. And I also represent today its advocacy arm, Consumer Union.

You may wonder why Consumer Reports, which is better known for rating products and cars, would highlight elder scams. Retirement security is at its core, a consumer issue. People have a right to expect that their hard-earned savings are protected. When I was asked to testify, I was a bit nervous, but then I thought about Edna Schmeets, an 86-year-old great-grandmother from Harvey, North Dakota, who had the courage to testify in Federal court earlier this year against a man from Jamaica who was part of a vast conspiracy to defraud dozens of people, mainly seniors, in a sweepstakes scam. Edna herself lost nearly \$300,000, her life's savings.

Most seniors would not be willing to talk, but Edna was angry and she wanted her money back. So in spite of being nervous and scared, she spoke out. Sadly, her money may never be returned, but she helped convict a really bad guy.

Edna was one of eight victims who spoke for me for a recent article on elder scams that you mentioned that appeared in Consumer Reports. I am truly grateful for their willingness to have their names and portraits published. They told me they did it to warn other people so others might be spared. This isn't typical of elder scam victims. Most elder fraud cases go unreported. The victims are embarrassed and ashamed. Among other things, they are scared that if they tell, people will think they are unsophisticated or stupid or losing their cognitive abilities. But honestly, these scams can victimize anyone.

The criminals catch people off guard. They sound very convincing. They require their victims to make very quick decisions, and they insist on secrecy. This is their job. They do it all day long. Their tactics could work on anyone in the right circumstances, but the scammers know that seniors, in part because they are proud and want to retain their dignity, often keep quiet, so we don't hear about these crimes as often as we should, and that is my point today.

These scams are rampant. They are growing in number and complexity. They run the gamut from sketchy phone and mail solicitations to shady contractors to dishonest financial advisers. We need to document them better, and seniors need to feel safe about speaking up about their victimization and getting help.

Understandably, they are concerned about losing independence if they admit they have been taken or need help avoiding getting conned in the first place. But there are measures they can take that preserve their dignity and independence. For example, there is a Web-based service called EverSafe. The service identifies any unusual activity in a senior's account and then sends alerts to the senior or to a trusted adult child or other third party, but the sen-

ior doesn't have to allow direct access to the account, so the senior can retain control.

Of course, Consumer Reports recommends signing up for the Federal Do Not Call Registry and the Direct Marketing Association's mail preference service to reduce unwanted calls and mail. We have also tested and recommended some call-blocking machines that block robocalls which can be the basis of phone scams. Notably we found a free robocall blocking service called Nomorobo, and it is very effective; but it is not available on traditional land lines, which is what seniors often have. There is no reason why tools to block unwanted calls can't be made available on land lines, but the three top land-line providers don't offer them.

So Consumers Union has an End Robocalls campaign that has gathered more than half a million petition signatures. We are soon going to deliver it to the phone companies to demand that free, more effective tools be offered.

These developments can help stem elder scams, but they must be supplemented by communication and education. Elder financial exploitation needs to be part of the national conversation. We have published articles about it. Other publications have. But I would a lot of to see a Hollywood movie on this. It is a plot with poignant stories, heroic investigators and victims, piles of money, and even some exotic locations.

Thankfully, some seniors are willing to speak out. There is an acting troupe in Los Angeles called the Stop Senior Scams Acting Program. The actors are all seniors. The oldest is 97. They write skits dramatizing scams, and they perform them in senior centers and other locations. Some of the actors themselves have been scam victims, so they can speak from experience. After performances, audience members often come up to them to report that they, too, have been scammed. These people might not be willing to tell their own families, but they will tell their peers.

There is no dearth of creativity, initiative, and will, to make a dent in this horrific crime. But seniors themselves need to feel it is safe to talk about it with law enforcement, adult protective services, peers, and their families. As one of the actors in the Stop Senior Scams Program said, don't keep it a secret. You are not the only one. Thank you.

[The statement of Ms. Stanger follows:]



**Statement of Tobie Stanger, Senior Editor, Consumer Reports
Before the U.S. House of Representatives Committee on Energy and Commerce
Subcommittee on Commerce, Manufacturing, and Trade**

**"Fighting Fraud Against the Elderly, an Update"
Friday, October 23, 2015**

Chairman Burgess, Ranking Member Schakowsky, committee members, thank you for inviting me to speak. I come here today as a representative of Consumer Reports, and its advocacy arm Consumers Union.

You may wonder why Consumer Reports, which is better known for rating products and cars, would highlight elder scams. Retirement security is at its core a consumer issue. People have a right to expect that their hard-earned savings are protected.

When I was first asked to testify, I was bit nervous. But then I thought about Edna Schmeets, an 86-year-old great grandmother from Harvey, North Dakota, who had the courage to testify in federal court earlier this year against a man from Jamaica who was part of a vast conspiracy to defraud dozens of people, mainly seniors, in a sweepstakes scam. Edna herself lost nearly \$300,000—her life savings.

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This isn't typical of older scam victims. Most elder fraud cases go unreported. The victims are embarrassed and ashamed. Among other things, they're scared that if they tell, people will think they're unsophisticated or stupid, or losing their cognitive abilities.

But honestly, these scams can victimize anyone. The criminals catch people off-guard and sound very convincing. They require their victims to make very quick decisions, and they insist on secrecy. This is their job. They do it all day long. Their tactics could work on anyone in the right circumstances. But scammers know that seniors, because they're proud and want to retain their dignity, often keep quiet.

So we don't hear about these crimes as often as we should. And that's my point today. These scams are rampant. They're growing in number and in complexity. They run the gamut from sketchy phone and mail solicitations to shady contractors to dishonest financial advisers. We need to document them better. And seniors need to feel safe about speaking up about their victimization and getting help.

Understandably, seniors are concerned about losing independence if they admit they've been taken, or need help avoiding getting conned. But there are measures they can take that preserve their dignity and independence. For example, there's a web-based service called EverSafe. The service identifies any unusual activity in a senior's account, and then sends alerts to the senior, or to a trusted adult child or

other third party. But the senior doesn't have to allow direct access to the account. So the senior can retain control.

Of course, Consumer Reports recommends signing up for the federal Do Not Call Registry and the Direct Marketing Association's mail preference service, to reduce unwanted calls and mail. We've also tested and recommended some call-blocking machines that block robocalls, which can be the basis of phone scams.

Notably, we found a free, robocall-blocking service called Nomorobo very effective. But it's not available on traditional land lines, which often are what seniors have. There's no reason why tools to block unwanted calls can't be made available on land lines, but the three top land-line providers don't offer them. So Consumers Union has an End Robocalls campaign that has gathered more than 500,000 petition signatures. We're soon going to deliver it to the phone companies to demand that free, more effective tools be offered.

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There is no dearth of creativity, initiative and will to make a dent in this horrific crime. But seniors themselves need to feel it's safe to talk about it with law enforcement, and with their families. As one of the actors in the Stop Senior Scams program said, "Don't keep it a secret. You're not the only one."

Mr. BURGESS. Thank you.

And I thank both of you for your testimony. We will move into the question portion of the hearing. We will begin the questioning on this side. I will yield to Mr. Harper 5 minutes for questions, please.

Mr. HARPER. Thank you, Mr. Chairman, and thanks to you both for being here. Some great stories. I know your class is very excited today. They are probably watching as we speak, so we wish them well, just in case they are there.

Ms. STANGER, you have spent obviously a significant amount of time putting together the Lies, Secrets, and Scams piece for Consumer Reports. What was the most shocking thing you learned while you were researching the article?

Ms. STANGER. I think the most shocking thing is that it really is so rampant. It seems everywhere. Every person I turned to in the elder-justice community and adult protective services, when I would call them and say I was doing this, they would say, thank you. We need to have this publicized. Please. It is everywhere.

In my own family with my husband and I together, we can think of four instances of various elder abuse situations. It is everywhere, and it is really underreported. It was very hard to get eight people to talk with me. It took a lot of effort, and I am very grateful for their bravery, because people are afraid to talk. And so the conversation, I think, needs to change to not being afraid.

Mr. HARPER. And it is so humiliating for them to have to share that, and they would rather just suffer in silence, so that does take a lot of courage to do that. I know dealing in the last year with a gentleman, a senior, who fell for one of the scams of, you know, "send us some money and you are going to get a lot of money back." He was thinking, This will help me pay for my adult kids' graduate school, and I am going to take care of my wife, and we said don't do it, and he did it anyway, and he kept doing it to the tune of probably most of his savings, even though his wife—I don't know yet that he still has grasped what he has done.

And it is a very difficult thing because when you have people that can't really control that, and fall prey to that, and they don't have someone overseeing, it is very difficult. I know in your article you talk about some of the great senior-led initiatives to educate their peers about the fraud risk. Have you seen any similar initiatives to educate caregivers, and what experience with the caregivers to the seniors did you have in your research?

Ms. STANGER. Well, I think the CFPB's program that they talked about where they have got several booklets to educate caregivers and people who have fiduciary duty over seniors' accounts, I think those are very helpful. Those are pretty new, and as I understand they are being promulgated in different States, so I think that is very helpful. But yes, I think caregivers need more education. That is something we can started to do in our publication.

Clearly, I spoke with one woman who, exactly the same thing, her father and mother were involved in a scam, and she just did not know how to stop them. And so widespread education can be very useful. I found a victim specialist from the FBI in Los Angeles who people come to her when they have relatives who are repeat scam victims. And these are often the toughest because they have

developed an emotional relationship with the scammer often, and they really trust them. And this woman from the FBI, she tells people call me. If somebody calls you, you call me, and I am going to walk you through this. I am going to keep you from getting scammed again. And sometimes it requires really, you know, hand-in-hand cooperation.

Mr. HARPER. And some of these, you will see that they will get into it. They will send them a few thousand dollars, and, well, we have got these additional costs over here we are going to have to cover, and all of a sudden they think, well, I am in this far and they keep going and going. And it is just heartbreaking what you see. But thanks for your work on that. And I really do appreciate it.

Professor Wallace, in your testimony you talk about how in your experience you have seen a lot of anxiety about using technology, and very naive trust about technology that pose risks for consumers, and things are constantly moving as we see; and my adult daughter has, because I know we are on the record here, has quit using Facebook once my wife, her mom, started getting on Facebook.

Mr. WALLACE. Facebook is for old people.

Mr. HARPER. There you go. There you go. So we are seeing all this transition there. So what are the most effective methods you have found to teach seniors that they can be safe online without thinking they are going to break their device or trusting every single popup that comes through on the screen?

Mr. WALLACE. Yes. It is a tough problem. One thing that helps a lot is being among peers, and realizing that they are not alone and that other newcomers to the technology are struggling with the same kinds of issues.

One exercise that we have done in the past that I think has been pretty effective, has been considering what they do with physical postal mail that they get, that looks suspicious. It has a certain smell to it, right? And you get something in the mail and you look at it and say, no, I am going to—I am going to throw this in the waste bin right.

Mr. HARPER. Professor Wallace, my time is long over. I am going to yield back and hopefully they can finish back up on this later.

Mr. WALLACE. Oh, OK. Sure. Sure.

Mr. HARPER. Thank you.

Mr. BURGESS. The Chair thanks the gentleman. The gentleman yields back. The Chair recognizes the gentelady from Illinois, 5 minutes for questions, please.

Ms. SCHAKOWSKY. First, Ms. Stanger, during our first panel we talked about shame, and we have talked about it again in this panel. So I am wondering if there are tools, other than the individual having to report, that couldn't be more effective? In your article you mentioned several cases in which a bank allowed older people to repeatedly withdraw large amounts of money.

And presumably when it was out of order for that particular person, and actually did nothing to investigate whether fraud was involved, and perhaps didn't even notify anybody, until the point at which the person attempted to get a loan from the bank. So what

should be, or is being done, to encourage banks to take a more active role in intervening in these situations.

Ms. STANGER. So I don't have that much information on this except that there are some banks that are making it part of their companywide effort, such as Wells Fargo, I understand, where they are educating everybody to be a reporter. Not every State has the same law, in terms of who is supposed to be a, you know, has to report when they think elder fraud is happening. It varies from State to State.

There are companies themselves that are taking it upon themselves to do this. And I can't speak in great detail about what the bankers associations are doing, but there are some banks that are saying if you think there is something going on, you need to speak up right away and not wait until time goes by. But certainly more education at all levels from the teller—you know, the teller is often the person that sees the senior taking out the money, and it is a fine line between letting them have control over their money and putting up a red flag.

We also think it is a good idea for family members to have a relationship with the local bank. Often seniors do go to local branches. I don't know how much they are doing their banking online, as opposed to other population groups, but often seniors go to the bank, especially if they are going to be taking out a large amount of money. They are going to go to the teller, and so it is a good idea for the families to have a relationship with the bank so that this kind of conversation can be had.

Ms. SCHAKOWSKY. I have a feeling if that woman who was trying to help her son Will, purportedly in Peru and needing help, even if the teller would have said you are taking out a lot of money, that she might have shared that story. Oh, my grandson is in trouble, and I am trying to help him. It just seems like those kinds of conversations even could help. I don't know how one enforces that however.

I have one other question for you and then for Professor Wallace. I think some people think that these might be small scam operations, but you pointed out that actually some of these are fairly big-time operators. I wonder if you could talk about that a little bit?

Ms. STANGER. So we looked at something called the Jamaican lottery scam, which, you may have heard about. It operates not just out of Jamaica, but other foreign countries as well, Costa Rica, Israel, Canada, I think. This is where people are called, elderly people are called. The scammers have a list that they have collected. It may be because somebody has responded to something in the mail, and then they sent something back, their name, maybe a phone number, maybe even some money because they think they are going to be receiving something.

And these lists are created, and these scammers get a hold of these lists, and they know now that this is somebody who has already responded once to a mailing. And so, then they will call these seniors, and they are very, very organized. They know how to get seniors' emotions. They know how to draw the senior in, and they often use threats, and these things go on for months and months,

and people lose hundreds of thousands of dollars. So they are very organized.

Ms. SCHAKOWSKY. Mr. Wallace, your testimony mentioned the Breaking Digital Barriers program at Michigan Tech, that could serve as a national model. What are some of the common themes that you observed in seniors that have taken that course, and do you believe these trends will be reflective of seniors nationwide?

Mr. WALLACE. Yes. Certainly the anxiety and the fear of adopting the technology is a profound one, and we need to balance this concern about fraud, which is absolutely legitimate, with something that encourages them to explore in a safe way.

And so finding that balance is really a key issue for us. And we still struggle with it, but we are looking for metaphors and ways in which we can relate it to their life off line. What do you do to be sensible and safe and secure in your regular life? Can you transfer those kinds of skills over to the digital world? And so, that is one of the things that I think is certainly—

Ms. SCHAKOWSKY. Although I do want to say that, the Pew Research Center reports 35 percent of Americans age 65 and older currently use social media, up 27 percent from 2014. So more and more people are. And in 2014, Pew reported 59 percent of this age group using the Internet, with 71 percent going on daily. So we are seeing more and more seniors.

Mr. WALLACE. For sure. And especially in our area, it is vital for them to go online because so many of their family members live far away now. And so it is a tremendous asset for them, really a lifeline in a way. So it is important for them to adopt this technology.

Ms. SCHAKOWSKY. Thank you. I yield back.

Mr. BURGESS. Great. The gentlelady's time has expired. The gentlelady yields back. The Chair recognizes Mr. Mullin of Oklahoma, 5 minutes for your questions. Please.

Mr. MULLIN. Thank you, Mr. Chairman, and thank you both for being here. Professor Wallace, what gave you the idea to even start this up? Just taking a look at you, I am very impressed—not by your looks—I am just very impressed by the idea that you would take this initiative. I mean, was this something driven by you, by your students, what made you even think of this?

Mr. WALLACE. One driving force is, the type of material that I teach to our students involves understanding users of the technology that they are developing. So our students are going to be developing the software that we all are going to be using in just a few years. I want them to understand what regular people are like and certainly people who don't have that kind of deep understanding of the technology that they do.

Very often what happens is software people will develop software for other software people, and so we need to have a broader view of what the user base is going to be like. And by the way, one thing I want to insert here—I got a message from one of my colleagues in Breaking Digital Barriers—this is not exclusively a senior problem. Digital literacy is something that is a concern for people across age groups.

We have worked with people who are, well they are younger than I am, so by definition, they are not old, who struggle with the technology, too. And so in general this is a larger issue that impacts

seniors greatly, but I think we also need to keep in mind it is a broader issue.

Mr. MULLIN. Thank you for seeing a need. And then I am assuming that once you started down this path, it became a passion because the amount of work you have put into this, this wasn't just a class project. Did you get personally involved in it to some degree, surprisingly?

Mr. WALLACE. Yes. I think it is fair to say that everyone who has participated in it, students, faculty, really take a personal interest in it. And it is the kind of work that is so much fun that it doesn't feel like work.

Apart from the learning that goes on in our sessions, it is also a social session, and it is a way for generations to meet and work together in a productive way. It is just a lot of fun.

Mr. MULLIN. Well, thank you. Ms., I hope I say this right, Stanger did I say that right?

Ms. STANGER. Yes that is right.

Mr. MULLIN. Now, kind of the same question applies to you, too. The way I understand this wasn't exactly your background. You just started down this path, and one door opened to another, and now it has become almost a passion if I am seeing that right. Was there something that led you down this road?

Ms. STANGER. Well, I would say number one, it is my passion. But I am a personal finance editor. I am a senior editor in personal finance at Consumer Reports. This is actually the second piece we have written on this.

Two years ago we wrote more about scams, or I should say fraud committed by family members and people that the seniors know. This one is more about scams by strangers. But, yes, I feel very strongly about it.

And Consumers Reports and Consumers Union, retirement security is very important to us. I write on all sorts of retirement issues, so I am very interested. But you can't help when you speak to these seniors, even one or two of them, you have to get drawn in because it is just, it is heartbreaking, and there is so much that we can do, I think.

Mr. MULLIN. If you could pick maybe two things that you would like to see for, maybe there has to be a required personal interaction, there has to be something signed before you could do it, what would you give this panel or this hearing, what would you give us two suggestions to say, hey, work on this?

Ms. STANGER. Believe it or not, I think this Stop Senior Scams dramatic group was very impressive, the only one I know of in the country. And I don't think it is particularly difficult to fund a little theatre group in all communities in the country where they could be communicating to each other. This is senior to senior. It gets the actors themselves out of the house.

You know, isolation is a major part of this. Getting people out, getting people into the community to talk to each other is very important, and there is that communication. So that is, I just think dealing at a grass-roots level can really make a difference, and I think that was reflected in many other of the statements.

What else? I think just supporting the work, I think the FTC is doing some wonderful work. The Pass it On really is a very useful

and, again, grass-roots effort, and I think the, CFPB's, specifically collection of anecdotes from people is very helpful. Obviously they don't always know what the age is, I think, am I right that they don't collect the ages of all the people who report, but certainly if people are reporting about problems with reverse mortgages, they know that is somebody 62 and older.

The more we can get in anecdotes, that helps me as a reporter, and it just helps in collection of data. We need more data.

Mr. MULLIN. Thank you for the work that both you all do. Mr. Chairman, I yield back.

Mr. BURGESS. The Chair thanks the gentleman. The gentleman yields back. The Chair recognizes the gentlelady from Indiana, Mrs. Brooks, 5 minutes for your questions.

Mrs. BROOKS. Thank you, Mr. Chairman. Professor Wallace, prior to coming to Congress, I was at IV Tech Community College, as a senior administrator, and I was there during the recession from 2007 until 2011. And I must say that college and community college exploded in enrollment during that time period because so many people had gotten laid off of their jobs, of all ages, but particularly those who were 40, 50 years old, who had gotten laid off their jobs needed to come back to college because they had no digital literacy skills. And they couldn't even apply for jobs online because of that digital literacy or lack, illiteracy.

So I am very pleased that you are doing this. How would you encourage other schools? I mean, how much are you talking about this? Obviously this is a nice platform for you to publicize, but how are other communities, you know, are they taking up your baton and, you know, doing what you are doing, or are you a unique program in the country? I am really not that familiar with the various programs.

And then, secondly, what are some of the strategies you are using that are actually teaching the seniors?

Mr. WALLACE. We are certainly not unique. There are several other efforts in this regard. I want to include SeniorNet, Cyber-Seniors, Generations Online. There are a lot of groups that are doing similar kind of work in this space.

Mrs. BROOKS. Do they actually go into the communities like you are doing, or are they more online educational tools?

Mr. WALLACE. There are a variety of approaches. Some of them are truly working one-on-one. So, I don't want to claim that we are the only ones doing this kind of work.

Obviously this is a tremendous platform to raise awareness. I was also invited to the White House Conference on Aging over the summer which also gave me a platform to speak out about this.

And certainly within the State of Michigan, there has been a tremendous amount of interest that has come up from that, and so we are working now in conjunction with other universities. I feel like it is a very easy model to implement, and what we are in the business of doing right now is, codifying what we do at Michigan Tech so that we can distribute that to other schools and give them a leg up on the whole process.

Mrs. BROOKS. What are some strategies that you have found that have worked best when you are teaching?

Mr. WALLACE. Well, as I said in my statement, having tutors sort of model their own behavior and speak out loud about it is an important piece of it. So having an experienced computer user say, well, looking at what is on the screen, well, in this case I would be thinking about this, and I would be worried about this, and I would want to try out this.

And working out what is going on in their minds, saying it out loud is an important piece to articulate that this is a process just like working with any other aspect of life. You have to weigh the pros and cons and think about things in a sensible way. For instance, looking at junk mail that you get in your mailbox compared to a potential scam by email. That kind of brings it back to familiar territory, which I think is useful. This is not something entirely new. It is different, and you have to learn how to use it, but it is not entirely.

I just want to say that Ms. Stanger and I are both in solidarity on this issue, that education in this regard is an extremely effective and low-cost way of addressing this problem of fraud online. A little bit of education I think can go a long way to stem some of the problems that we see that take immense amounts of time and efforts to cure later.

Mrs. BROOKS. Thank you. I know we focus a lot on education of our young, of the children getting online, but we don't spend nearly enough time educating seniors. Ms. Stanger, I would like you to know that every time I go home and visit my parents, Consumer Reports is front and center.

But I do want to ask you, are there enough, in your research, available and accessible tools, for seniors to report? Have you found in your research, are there enough tools, and do they know what they are?

Ms. STANGER. I think the last part of your question is the important thing. There are plenty of tools. We have several, in our article, several places where people can report. Obviously AARP is very involved, and they have their scams and fraud page. The CFPB, there is something called the Financial Fraud Enforcement Task Force stopfraud.gov, where you can report.

On the Senate side, they have the Special Commission on Aging Hotline, and that is a good sort of place you can call up, and they will tell you where to go for help. But I think a lot of people, the first person they might go to report it to is the police first, is local law enforcement. And my understanding is that there could be more training with local law enforcement. I spoke with local prosecutors who said, you know, there are still police who when somebody comes to them and say I have been scammed and this person called me, the cop said, well, is thinking to themselves, well, that was kind of stupid. Why did you do that? And they have to be trained.

I understand that the Justice Department is getting involved in training local police to spot elder abuse, not just financial elder abuse, but also physical abuse and emotional abuse and so forth. So at the very local level, where people are doing the reporting, I think there has to be better training. In some communities, some large communities there are task forces, in Seattle, I think in San

Diego, where different groups have come together and really created a public face. And that can help.

In San Diego there is a fellow named Paul Greenwood who is an assistant district attorney, I think. And he is very well known, and one of the people that we profiled was involved in a scam. He got caught—he didn't get caught, he sent money in a scam, and then he thought better of it and he told a friend, and the friend went to Paul Greenwood's office, and Paul Greenwood working with I think it was Wells Fargo, was able to stop the payments that he was making to a scammer.

So it can work, not always, but it can work sometimes if people report it quickly and they know where to go. And on a local level, I am not sure that that always happens.

Mrs. BROOKS. Thank you. Thanks for your efforts in protecting our seniors to both of you. Appreciate it.

I yield back.

Mr. BURGESS. The gentlelady yields back. The Chair thanks the gentlelady.

The Chair recognizes the gentlemen from Kentucky, Mr. Guthrie, 5 minutes for questions, please

Mr. GUTHRIE. Thank you very much. Thank you for being here. And I guess a lot of us prepared the same kind of a question. So it is very similar, because I was going to ask you what the biggest take-away is you got from the aged seniors. But what in your, Ms. Stanger, in your article, but what do you think was the common—was there a common thread—you said isolation. I think there seems that people are isolated, and so when the phone rings they answer the phone and engage in conversation. But is there something common among the aged that we should be looking for, or several things that were common?

Ms. STANGER. So one common thread is that they—well, in many of them they were acting, sadly, because they wanted to provide for somebody, for children or grandchildren. They thought this would be great. You know, I am getting these winnings and it can help me. The priest that we—Father Ortiz who we profiled, he was hoping to get the money and use it to fund a school.

The scammers know this. They really know how to just push those emotional buttons, and that is what is sad. The oldest people who were scammed, people in their 80s, those I have been told, and it seemed to be true from my research, they get scammed for bigger amounts of money. Younger people maybe are a little bit more likely to report, and maybe they don't go as far.

But in general it is because people really were—they really trusted these scammers at some point, and the other major thing is that they were told: Don't tell anybody, and so they kept it to themselves because they were afraid of what would happen if they did tell. And that is why they were scammed by so much.

And finally when it finally either somebody caught on or they themselves thought, you know what, this isn't sounding right, and then they reported. So it is the secrecy.

Mr. GUTHRIE. Yes, no, I guess another question I would say what do you think we should be looking for in our district. But I have a friend who had a older brother that was being scammed and for several hundred thousand dollars and knew it was going—and

tried to get him and he couldn't get him to stop. And there is no legal way because then he was just an adult. Have you seen that in—were some of the others trying to—family members saying, “Don't do this. This is scamming,” and it just keeps going or—

Ms. STANGER. Yes. I mean, I did—

Mr. GUTHRIE. And I think that is the trust they build. I didn't think about that case. You just said that. It was the trust that they build with the scammer.

Ms. STANGER. That is right.

Mr. GUTHRIE. Which is an oxymoron, I think. Trust with a scammer, but—

Ms. STANGER. It is true. Unfortunately, some of the worst cases, the repeat cases, they develop a relationship with the scammer. And relatives are saying, you know, “You can't do this, Dad. No, no, no.” This is true, you know. And they trust the scammer more than they trust the adult child.

I am at a loss, really, to know what to say except that, if a senior can at least be told, you know what, they can be—if they can be shown some of the things that don't make sense, then maybe they will start to realize, Oh, you know, this Web address, that doesn't seem right. It doesn't have a dot-gov at the end. Right.

Mr. GUTHRIE. Right.

Ms. STANGER. You know, some of these things that seniors may not think about, the URLs and so forth that somebody younger knows about, just knows. You know, the pop-up that says Microsoft says that you have a problem with your computer. “Click here.” Well, a lot of younger people, not all, but a lot of younger people will know, ugh, ugh, ugh. I am not going there. But somebody who is not as familiar won't know. And so it is just education.

The victim specialist in Los Angeles said that was some of the victims that she dealt with she actually wrote down something like a script for them to put next to the phone so when somebody called they knew what to say. It requires real preparation. It is almost an addiction for some people, sadly.

Mr. GUTHRIE. So, professor, it might have been in this case, I was—Professor Wallace, I know Ms. Schakowsky asked you some questions. And ones she asked I was going to ask, but I don't know if you ever got done your answer, because there were several questions was: What trends do you see in your online program? What are the trends and are there some sessions more popular than others?

Mr. WALLACE. Trends. Well, certainly a trend toward mobile devices now. We get a greater variety of types of devices coming in, which makes it harder for us to keep track of—we are not familiar with all of them ourselves, and so it takes a little while to learn them.

Actually, that speaks to one thing that I think we try to get across to our learners is that we don't know everything. Even the tutors don't know everything. But we have sort of ways of approaching something new. So maybe it is a new device, but it could also be, you know, a new Web site or a new service of some kind. And so we have ways of looking at it, checking it out, making sure it is legitimate, you know, and moving on.

So there is certainly a greater diversity, both in terms of the actual physical devices but also, really, in terms of the kinds of services that people are using. So that means that we have to teach them a more kind of agile way of approaching the technology. We can't just teach them how to use, you know, gmail in its current form right now because if we lock them into that, it is going to change. The interface will change over time. And so we need to teach them these kind of deeper skills.

Again, it is getting back to the idea of what kinds of approaches do you use in the physical world to ensure yourself that this is something legitimate and perceived from there. So those kinds of techniques, we try to transfer them over to this digital world.

Mr. GUTHRIE. Well, thank you. And I appreciate you guys doing this. And my time is expired so I will yield back.

Mr. BURGESS. The Chair thanks the gentleman.

The Chair is going to recommend himself for 5 minutes for questions.

I did let the other Members go first because I knew we were coming up on a vote, but it looks like we have got enough time to conclude this and adjourn the subcommittee before we go to record our votes.

Ms. Stanger, I just wanted to know from you, what sort of response have you had since publishing the article that you did in Consumer Reports?

Ms. STANGER. People in the elder-justice community, those are people who deal with, you know, lawyers and people in communities, workers who are very happy that it is out there because they think it gets the word out.

Apparently the FTC called this little dramatic group to congratulate them. And maybe they will work together. That would be great. I haven't looked at the letters we have got recently so I don't know what readers are saying. We just hope that having it on the cover of a national magazine will get people to think more about it and think about it in their own lives.

Mr. BURGESS. Certainly drives the interest factor.

Professor Wallace, you may have noticed that you have arrived in a digital-free zone, and it is ironic because we are the principal committee in the United States House of Representatives that deals with technology and communications, and they provide us a pad of paper and a pencil. So there is room, there is room for improvement.

But I just wanted to ask you, in the healthcare space we have something known as syndromic surveillance where, for example, tissue sales and decongestant sales at a drugstore may be an early tip-off that there is a flu epidemic in a community. Is there any way to use that kind of surveillance in your world where there is an increased level of scamming activity?

I can remember as a kid reading in the newspaper, they used to call them pigeon drops where someone would come to town and take advantage of people. And you'd see an article in the newspaper about there is some scammers in town so be careful. Is there any way now in the digital world that you have of getting tipped off and then getting the information out that there is an uptick in this type of activity?

Mr. WALLACE. Boy, I do not know of any effort in the that regard. But you have given me a great idea to take back to some of my faculty colleagues at Michigan Tech who work in that space. If it doesn't exist right now, I think that is a great idea.

Mr. BURGESS. Well, I don't even know if it is possible, but I also did not know, Ms. Stanger, in your article, about the little scratch-off money cards that people have. I didn't even know you could do that. So, and I don't know if there is any way of watching that kind of activity. That almost seems like legalized money laundering to me.

Ms. STANGER. Well, I understand that that particular green dot card doesn't have the capability anymore. So I think they are trying to, you know, eliminate that. But the scammers come up with new things. Somebody told me that now the iPhone cards, I guess they are cards that you can—or I don't know, something—

Mr. BURGESS. Apple Pay.

Ms. STANGER. Excuse me?

Mr. BURGESS. Apple Pay.

Ms. STANGER. Apple—something is being used. I don't know if it is that, is being used. The scammers move on. They move on to new payment. They figure it out, unfortunately.

Mr. BURGESS. Yes, they are much more facile than the United States Congress.

And both of you have mentioned and it has come up in several Members' questions, the isolation factor and how that is used and almost monetized to take advantage of people. Hard to know how to overcome that except that making families aware that that is a risk factor in this population.

Mr. WALLACE. It is ironic because the isolation is something that really motivates their computer use, at least in our case. A lot of people don't have relatives nearby, and so a great way to communicate is through social media and so on.

And so the irony is of course then they are isolated and don't have feedback. But hopefully we are providing a service for them that does provide that. Working together as peers and working with mentors who know is a help.

Mr. BURGESS. And just as a general word to families to be on the lookout for when you know you have a family member who has tended to be isolated that they are perhaps at risk for being targeted by this type of activity.

Professor Wallace, I just have to ask you one last brief question. It is off topic, but you referenced that Facebook was for old people. What is up with that?

Mr. WALLACE. I am just echoing the sentiment of my children who say that young people don't use it anymore.

Mr. BURGESS. So where are they? They are not on Facebook, where are they?

Mr. WALLACE. You think they are going to tell me?

Mr. BURGESS. They will tell you. OK. It is in development. All right.

I will yield back the balance of my time. And seeing that there are no further Members wishing to ask questions for this panel, I do want to thank our witnesses for being here today.

Before we conclude, I would like to submit the following document for the record by unanimous consent: a story by Ms. Stanger in the upcoming issue of Consumer Reports magazine. Without objection, so ordered.

[The information appears at the conclusion of the hearing.]

Mr. BURGESS. Pursuant to committee rules, I remind Members they have 10 business days to submit additional questions for the record. And I ask the witnesses to submit their response within 10 business days upon receipt of such questions.

Without objection, the subcommittee is adjourned.

[Whereupon, at 11:35 a.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF HON. FRED UPTON

Elder fraud is a serious problem that threatens the very financial stability and wellbeing of our seniors and their families. Sadly, it's a problem that we are very familiar with in Michigan, and is an issue confronting every community and State. Seniors have always been targets for fraudsters, but the digital age has especially increased opportunities for predators of the elderly.

From the Greatest Generation to the Baby Boomers, our retired and elderly population is projected to grow rapidly—in Michigan and across the country—and with it, the number of potential targets for elder fraud. By 2020, the number of Americans over 65 years old is projected to be 54.8 million, an increase of about 14 million since the last census.

For those who have been unable to keep a family member from being defrauded in a scam, it is a heartbreaking occurrence. While some may view it as a “petty crime,” it is not.

The consequences are real. And the effects are lasting. When fraudsters trick the elderly into parting with often limited retirement funds, they take more than just money. Many of these schemes also rob victims of their independence, dignity, and self-worth. These are possessions that money can't buy and that are difficult to reclaim.

Make no mistake—the criminals who target the elderly put significant time and resources into their efforts. In one conspiracy, fraudsters posed as the victim's grandson and grandson's lawyer, claiming he was in a Mexican jail. These criminals took almost all of the victim's savings with elaborate stories. In another type of scheme, callers target older Americans and develop various relationships with them over the phone, eventually leading to the victim sending money under false impressions.

These scams often require extensive profiling of the intended victims and persistent contact—in other words, material dedication to the crime. Criminals with these kinds of resources to commit elaborate and evolving forms of fraud warrant robust responses from Government at all levels.

We in Congress, as well as regulators and law enforcement owe it to seniors to crack down on this despicable activity and ensure enough is being done to stop the perpetrators.

We need to make sure that our Government response also allocates the appropriate resources to protecting our seniors in every community. I appreciate the diligent work being done at the FTC, Michigan Tech, Consumer Reports, the CFPB, and Cook County to put a stop to elder fraud and I look forward to today's very important discussion.

Lies, Secrets, AND Scams

SENIORS AND THEIR FAMILIES LOSE
BILLIONS OF DOLLARS EACH YEAR
TO HEARTLESS FRAUDSTERS.
HERE, LEARN HOW YOU CAN HELP.

To understand how Beth Baker, an independent, generally robust 87-year-old, got taken for \$65,000 in less than one week last year, it's important to know about her grandson, Will. Baker, a retired second-grade teacher living in National City, Calif., beams when she speaks of the 24-year-old, the eldest of her five grandkids. As a high school football player and later a U.S. Coast Guard Academy graduate, Will made his grandmother terribly proud. When, late last year, Will's wife delivered Baker's first great-grandchild, Baker was overjoyed. "Will is precious to me," Baker says.

So when a man phoned one morning last December from an unfamiliar number, the news he delivered hit her like a sledgehammer.

"He said my grandson was in Peru and was in trouble there," Baker recalls. Then he put another man briefly on the line. Thinking it sounded like Will, Baker anxiously said into the phone, "Will?"

What Baker unwittingly did was provide the caller with her grandson's actual name, which was swiftly woven into a story. The caller said that Will had been a guest at a wedding in Peru. While driving, he had been involved in an accident that injured a 7-year-old pedestrian. Then a caller claiming to be Will's lawyer got on the line and said Will was in jail and needed money at once; there was no time to think or question. "And he said if I shared this story with anyone, there'd be trouble for my grandson," Baker recalls.

Baker hadn't seen Will for a while, but the tale seemed plausible to her.

So, shaken and scared, she followed the caller's instructions without verifying the story with anyone in her family. She hung up, drove to her bank, withdrew \$5,000 from savings, and bought 10 \$500 Green Dot MoneyPak cards at a CVS and a Ralphs supermarket. The contact called back as promised, and Baker scratched the card backs and read him the numbers

beneath. That was all he needed to get an almost untraceable \$5,000 payment, ostensibly for Will's legal fees.

The man called soon after to say the injured child had died. Will needed more money to avoid 10 to 20 years in prison. Again, the caller stressed urgency and secrecy. At his prompting, Baker withdrew \$11,000, bought more MoneyPak cards,

IN A RECENT STUDY, ABOUT 1 IN 20 SENIORS SAID THEY WERE FINANCIALLY ABUSED. IF A NEW DISEASE STRUCK THAT MANY OLDER AMERICANS, THE REPORT NOTED, A PUBLIC HEALTH CRISIS WOULD LIKELY BE DECLARED.

and waited for her phone to ring.

It did ring—again and again—each call detailing a new twist on Will's story and yet another demand. Over five days Baker purchased 101 MoneyPak cards and sent \$65,000—almost all of her liquid savings.

Baker hardly slept. She was shaky and nervous. She skipped a visit to her husband, in nursing care at a home for

veterans. She lied to her son, Jim—Will's father—about her activities. Once during a visit, Jim noticed that her thumbnail tip was black. He didn't ask why for fear of embarrassing her. In retrospect, he says, he realized that "it was from scratching off all those Green Dot cards."

When Baker applied at her local bank for a \$14,000 loan against her paid-off home, she attracted the attention of a manager. With patient prompting, Baker finally confessed. The banker told her she was being scammed. They called Jim to confirm that Will was safe. "I was so relieved," Baker recalls.

Jim Baker reported the crime to the San Diego County district attorney's Elder Abuse Unit and fired off an angry letter to Green Dot. He remembers the incident with bitterness. "It made my mother question her own sanity and worth," he says. "At her age that's hard to get back."

A Crisis in the Making

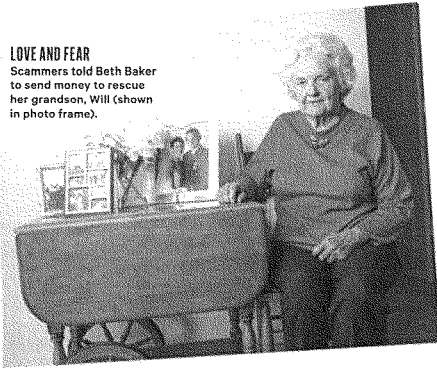
Baker's story may sound unbelievable. You may tell yourself it could never happen to you or anyone in your family. But don't be so sure. Financial elder abuse—broadly defined as the illegal or improper use of the funds, property, or assets of people 60 and older by family, friends, neighbors, and strangers—is rising fast.

Estimates of the crime's frequency vary. A 2010 survey of seniors by the nonprofit Investor Protection Trust projected that 1 in 5 seniors had been taken advantage of financially. A study last year in the *Journal of General Internal Medicine* found that 4.7 percent of Americans—about 1 in 20—reported that they had been financially exploited in their later years. The study provided perspective: If a new disease struck that same percentage of older Americans, researchers wrote, "a public health crisis would likely be declared."

The Federal Trade Commission says that fraud complaints to its offices by individuals 60 and older rose at least 47 percent between 2012 and 2014. Seniors are the predominant victims of impostor schemes, in which criminals pose as government officials or other authority

LOVE AND FEAR

Scammers told Beth Baker to send money to rescue her grandson, Will (shown in photo frame).



Ordinary People, Outsized Courage

Seniors often fear reporting financial exploitation, so it remains mostly hidden. To warn others, these victims spoke out. Find out more at ConsumerReports.org/elderscamsupdate

1. An unscrupulous financial adviser cheated **Phillip Deeb, 77**, of Bradenton, Fla. (pictured here with daughter Deneé), out of \$186,000 before law enforcement stepped in (see page 35).

2. In the hope of claiming a prize to share with family, **Edna Schmeets, 86**, of Harvey, N.D., lost \$297,000 to swindlers (see page 33). Here she poses with daughter Lisa.

3. A phony letter sent to **Father Michael Ortiz, 86**, of San Diego said he'd won a \$1.6 million sweepstakes. The retired Roman Catholic army chaplain was directed to transfer advance taxes to a bank account in South Carolina. Ortiz paid \$40,000 before he reported it to law enforcement. Apprehended, the crook ultimately pleaded guilty to felony elder financial abuse.

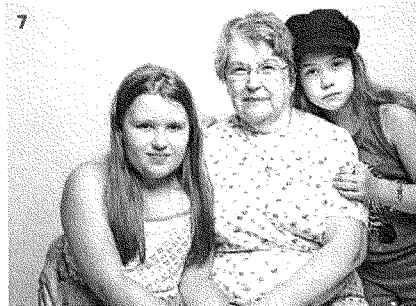
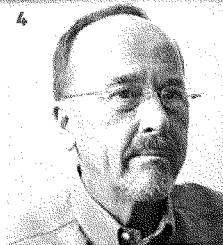
4. The **Rev. Al Cadenhead, 68**, of Matthews, N.C., relinquished almost \$16,000 in one day to an IRS imposter. The Baptist minister was threatened with jail if he didn't settle a purported tax bill immediately, using Green Dot MoneyPak cards for payment and keeping quiet to avoid further trouble.

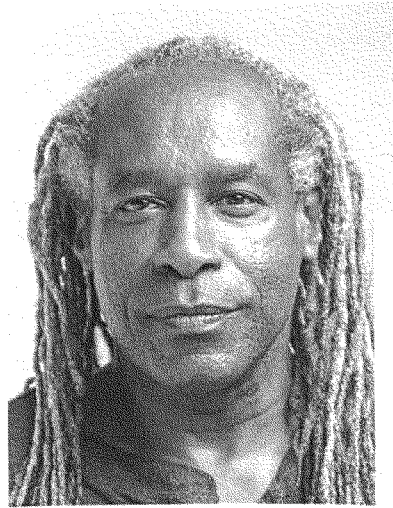
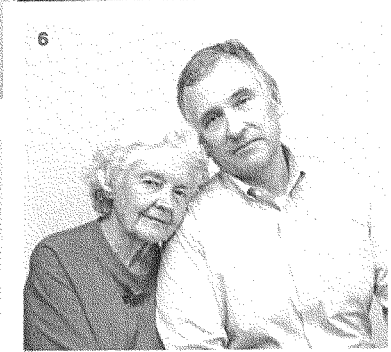
5. A letter to **Wade Gardner, 62**, of Los Angeles, announced he could earn money evaluating retailers' customer service. After Gardner responded by phone, he was sent a \$3,000 bank check and told to deposit the check and send \$1,200 personal checks to two strangers. Both \$1,200 checks—and five of his other checks—bounced after the \$3,000 deposit didn't clear. Gardner paid almost \$250 in bounced-check fees but says he could have lost much more.

6. Thinking she was rescuing her grandson overseas, **Beth Baker, 87**, of National City, Calif. (pictured here with son Jim), lost \$65,000 to fraudsters before realizing she'd been conned (see page 28).

7. A contractor approached **Marjorie DeGrace, 77** (here with granddaughters Avianna, left, and Amanda), in her Wakefield, R.I., front yard and offered to pave her driveway for \$3 per square foot. The paver started without giving DeGrace time to vet him. She paid \$1,000 in cash and charged \$8,000 before her children called police. Her son later measured the driveway and determined an overcharge of \$3,600. The paver entered into a consent order to stop operating in Rhode Island and provide restitution or remediation to those who'd filed complaints, but DeGrace hasn't seen a dime.

8. **Louise Brown, 68**, a retired nurse from Richmond, Va., met a man through a dating site who charmed her through e-mails and texts. Over six months, he persuaded her to send \$60,000 to cover business troubles abroad. The money hasn't been recovered.





figures and claim that money is owed. They also are hit hard by gambits involving prizes, sweepstakes, and gifts.

Older people's vulnerabilities—including isolation, loneliness, generally trusting natures, relative wealth, and in some cases declining mental capabilities—make them ideal quarry for con artists. Even those whose cognition is intact can be swayed if they're stressed or depressed, or recently have lost a loved one.

The amount lost to swindlers, whether they are strangers or even relatives, is huge, with estimates ranging from almost \$3 billion to more than \$30 billion

annually. And as baby boomers age, the pool of potential victims will expand, with assets ripe for the pickpocketing.

Mining for Marks

Among the factors that keep seniors from reporting scams are deep humiliation once they realize they've been had, and fear of reprisals from scammers who may have made threats to keep them silent. Many may be unaware that they've been scammed. A 2011 study conducted in New York state found that in one year, just 1 in 44 cases was actually reported.

"Victims are often deeply ashamed,"

says Elizabeth Loewy, former head of the Manhattan district attorney's Elder Abuse Unit and now general counsel at EverSafe, a fraud-monitoring service for seniors. "They worry that if they're viewed as vulnerable, they'll lose their independence."

In addition to the psychic trauma, the crime can affect seniors' health. A 2009 study of people 65 and older participating in the Chicago Health and Aging Project found that older people subjected to abuse or neglect, including financial exploitation, were hospitalized at a higher rate than those who weren't victims.

Many of the cons that seniors get taken

Anatomy of a Swindle

Lottery and sweepstakes scams have been around for years, but they still ensnare seniors and younger individuals, sometimes for hundreds of thousands of dollars. One of the biggest operates out of Jamaica and several other countries, including Canada, Costa Rica, and Israel. Here's how the so-called Jamaican lottery scam can trap seniors and rob them of their savings:



1 Creating the list. Scammers collect seniors' names from sources that include obituaries mentioning surviving relatives and legitimate mailing lists of people who've bought products widely sold to seniors. They also get names from list makers that operate bogus mass sweepstakes mailing centers and cater to scammers.

2 Testing the waters. A mass mailing, sometimes personalized to each victim, is sent. It may offer an attractive product or service, or mention that the

victim is eligible for a lottery or sweepstakes. The mail-in return forms ask for personal information such as phone numbers and whether the victim has a credit card. They may also ask for a small fee—say, \$20.

3 Homing in on 'suckers.' The scam may end there with the receipt of respondents' fees. Or the scammers may create a more refined "sweepstakes list" or "sucker list" of respondents. They may use those lists themselves or sell them to others. Listed names are worth up to \$6 each; the most valuable are older and alone, and often have a rural address.

4 Calling the 'winners.' A scammer, often from abroad, using a phone system that masks the call's origin, contacts a listed individual to announce that she has won a big prize. The catch: She has to pay fees or taxes up front—and keep the win a secret. The caller then directs the victim to wire or mail the funds to a third party's bank account.

5 Moving the money. The third party sometimes flies the cash to Jamaica to deliver directly to the scammer or has another person, a "mule," do it. Each participant takes a cut, often 10 percent.

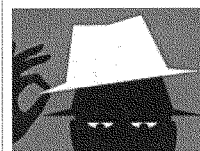


6 Extracting more. After a victim sends money once, a scammer will call more often—several times a day—for money or just to talk. To develop a relationship, he'll probe the victim about her pets, hobbies, grandchildren, and other personal information. He may send her flowers or presents. The closer he gets to the victim, the more data he can extract, including Social Security and bank-account numbers. That information can be used to drain bank accounts and open credit cards in the victim's name.

7 Bearing down. When victims say they can't afford more, scammers suggest sources: reverse mortgages, cashed-in life-insurance policies, sales of property, cash advances on credit cards. A victim who balks will be told that her winnings are threatened; she may even be threatened with physical injury to herself or her family.

8 Creating an accomplice. Some victims are told that to redeem their winnings, they must accept checks from others and move funds to a third party. They unwittingly assist money launderers; some even become money-laundering conspirators themselves.

9 Blocking escape. Scammers have been known to track down victims who have changed their phone numbers. Posing as a concerned child, a scammer directs a local plumber to visit his mother for a service call and to then phone from the house. The mother may deny that she needs service, but if she lets the plumber make his call from her phone, the scammer can use caller ID to reconnect.



10 Donning white hats. Scammers sometimes pretend they're FBI agents, intent on helping victims recoup their lost funds. That service, of course, requires additional payments.

by are no different from those used against younger people. But criminals take pains to identify older people (see “Anatomy of a Swindle,” on the facing page). A clever scammer who gets a senior on the phone will quickly tease out personal information. “They might say they want to send the person free medical supplies or that they just want to verify their personal information,” says Hazel Heckers, a victim advocate at the Colorado Bureau of Investigation. “Either way, their Social Security number is requested.”

To create personal connections, they’ll use “mirroring” techniques. “They’ll say, ‘You’re a veteran? I’m a veteran!’” says Debbie Deem, an FBI victim specialist based in Los Angeles who works with victims of financial crimes, including seniors. The flattery and emotional grooming are similar to techniques she has seen used by sex traffickers luring young girls.

“It’s low-risk occupation,” says Jane Walsh, director of the Community Protection Division at the Boulder County district attorney’s office in Colorado. “Why would someone rob a bank when they can sit at home with a phone and call a bunch of seniors?”

An Emotional Appeal

Edna Schmeets, now 86, received a call in September 2011, the year after her husband died. A stranger claiming to be from an outfit called “American Cash Awards” announced to the Harvey, N.D., retired farm wife and homemaker that she had won a \$19 million prize. All she had to do was wire \$3,500 in advance fees and taxes to someone in Portage, Ohio. She shouldn’t tell anyone, the caller said, or she would lose the prize. To Schmeets, who had dreamed of providing a substantial inheritance to her four remaining children, eight grandchildren, and six great-grandchildren, the promise of a vast sum seemed a godsend. She complied.

“They’re good talkers,” Schmeets says now, puzzling over how the scammers reeled her in over 10 months. “They can just about hypnotize you over the phone.”

The caller, going by the alias Newton Bennett, then escalated his demands. Week

Build Your Own Safety Net

Staying involved in the community—and getting out and about—is the best prevention against elder financial abuse. Scammers use seniors’ isolation to their advantage. The Elder-care Locator, at eldercare.gov, can help you find a range of services in your community. Other tips for seniors and the people who care about them:

PROTECT YOURSELF

• Sign up for Nomorobo.

The free robocall interception service is available to customers with VoIP service from providers including Comcast and Time Warner Cable. CR testers recently found it to be very effective. Check at nomorobo.com to find out whether your phone service supports it. Or consider a whitelist call blocker, a device you attach to your phone to block all calls from numbers that you don’t program. If you happen to answer a call from an unknown number, don’t press to connect to a representative, even just to tell him to buzz off; you’ll only show that you’re a live person and generate more calls. Sign up for the National Do Not Call Registry (donotcall.gov or 888-382-1222); it won’t prevent crooks from calling, but it will limit legitimate telemarketing calls.

• Opt out of commercial mail solicitations.

You can arrange for a ban of five years at a time with the Direct Marketing Association’s mail preference service (dmachoice.org). To eliminate unsolicited offers for credit, go to optoutprescreen.com.

• Have someone help you pay bills.

Create a shared bank account with someone you trust. Then

arrange to transfer only enough money each month to pay the bills. Get to know officers and tellers at your local bank or credit union.

• Vet all contractors.

Never hire one without first checking with your state’s contractor licensing board and the local Better Business Bureau. Ask for proof of insurance and bonding. Don’t pay in full up front.

• Check a financial adviser’s credentials.

Find regulatory actions, violations, or complaints at brokercheck.finra.org.

• Arrange for limited account oversight.

See whether your financial institutions will send statements and alerts to a trusted person who has no access to your accounts, just to check for fraud. Or try EverSafe (eversafe.com), a paid Web-based service that consolidates all of your accounts in one place and checks for suspicious activity daily. It lets you arrange for someone else to receive the online statements without having access to your accounts. We tried the Essentials version, \$8, which generally worked as promised.

• Set up an emergency plan.

There may be a time when you aren’t able to control your own finances because of temporary hospitalization or permanent incapacity. Consider carefully to whom you give power of attorney. Don’t assume the person closest to you will do the best job; you might be better off giving it to someone more detached and financially secure. The power-of-attorney document can be drawn up with limits, such as assigning a relative or friend to monitor the

person with power of attorney, mandating a periodic written report of financial transactions, or assigning joint powers of attorney, which requires two signatures on every check.

• **Visit an elder-law attorney.** He or she can help set up a trust for one or all of your accounts. The arrangement can allow for you to control your money until the point at which you’re deemed to need help.

PROTECT A LOVED ONE

• Visit often, sometimes without advance notice.

Check for changes in behavior and for signs that the elderly person isn’t taking care of herself, including changes in hygiene and a fridge with little food.

• **Set up a limited account.** If you’re concerned about your relative’s financial decision-making, set up a small account at a local bank for her. The account could, for instance, include a debit card and checking with a spending limit of, say, \$300.

• **In an extreme case, file for guardianship or conservatorship.** That could require two exams: one, performed by a psychiatrist or neuropsychologist, to judge the elderly person’s cognitive abilities; and another, by a specially trained psychiatrist or psychologist, to determine whether the elderly person is being unduly influenced. To be unduly influenced doesn’t necessarily require cognitive impairment, says Bennett Blum, a forensic and geriatric psychiatrist based in Tucson, Ariz. Average exam costs, he says, range from \$1,725 to \$7,200 and are not covered by Medicare or other insurance.

by week, Schmeets eventually cashed in her investments and withdrew almost everything she had from savings. She borrowed against a life-insurance policy. She gave the scammers her credit-card number and personal identification number to provide more funds. She tried to get a loan on equipment from her family's 640-acre wheat and cattle farm. The local bank, now suspecting that fraud was afoot, refused.

Her daughter, Lisa, who lived about 2 hours away and visited her mom frequently, recalls that her mother was uncharacteristically secretive during that period. And Schmeets did something odd: She opened accounts in all three banks in her town and began shuttling money among them. Her children found out that the scammers had instructed Schmeets to receive and deposit checks from other victims, and send the money to a third party. Without her realizing it, Schmeets was being used by the scammers to launder money.

A banker in Harvey questioned Schmeets about her large transactions. "I don't remember what the heck I told him," Schmeets says, "but I didn't tell him the truth because I wasn't supposed to tell anybody."

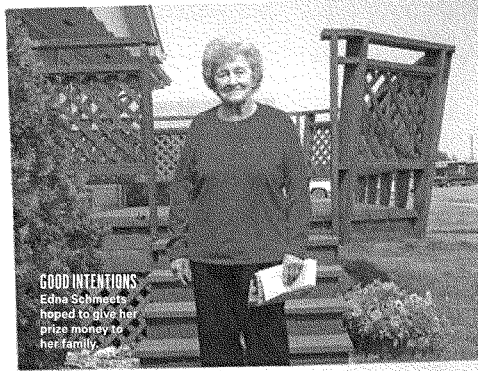
The banker alerted Schmeets' son, Jeff, to his mother's strange behavior. Her children, who weren't named on their mother's account, immediately asked her

to stop. Then they told the local police. The case was eventually forwarded to the FBI, and an agent began an investigation. By the time Schmeets stopped her folly, she'd lost \$297,000.

"When the FBI got involved, it was like the spell broke," Lisa says of her mother's sudden awakening. "She was like, 'Oh my gosh.' And then she was really hard on herself. She'd really lost everything."

Altered Reality

Experts say it's not unusual for some victims to get duped repeatedly, betrayed not just by clever scammers but also by their own cognitive decline or emotional need. Jolene T. of California watched helplessly as her father, a retired plumber, and mother, a retired nurse, drained their life savings of \$200,000 and borrowed an additional \$50,000



Money Management and the Aging Brain

We're all apt to get a bit fuzzier at money math as we age. The decline of financial skills—counting money, understanding debt and loans, paying bills, having the judgment to make prudent financial decisions—may be an early marker of something more: mild cognitive impairment due to Alzheimer's disease.

In normal aging, cognitive abilities involving speed—learning new material, recalling facts, shifting attention—slow down, notes Bennett Blum, a forensic and geriatric psychiatrist in Tucson, Ariz. Other abilities, associated with language and reasoning, improve.

How an individual is affected depends on genetics, health, environment, physical activity, and other factors. And the decline may not be noticed for years if a senior functions well otherwise. "Someone who's not with the elder often won't even recognize it or might chalk it up to eccentricity," he says.

Only when a senior gets gulled into an unnecessary reverse mortgage or makes a bad investment decision—say, buying "gold" coins of questionable value—does the change make itself known. Stressful situations—often imposed by pushy telemarketers

and outright scammers—also can highlight the impairment.

Declining cognition and dementia are blamed for seniors' susceptibility to scams, but those with intact cognition also can get snookered, possibly because of other pressures that make them more vulnerable. Loss of a relative, family discord, financial worries, or an overdependence on another person—all can contribute, says Susan Bernatz, a forensic neuropsychologist in Marina Del Rey, Calif. "I've seen many cases involving people with full mental capacity whose trust and dependency were exploited for

another person's financial gain," she says.

Notably, cognitive decline affects financial decision-making differently among personality types. A study published in 2014 by researchers from DePaul University and Rush University Medical Center found that seniors who have an overinflated faith in their financial abilities could be more vulnerable than others to money scams. As their cognition wanes, the risk increases. What's more, the report said, getting stung once might not be enough to keep some overconfident types from being defrauded again.

'WHY WOULD SOMEONE ROB A BANK WHEN THEY CAN SIT AT HOME WITH A PHONE AND CALL A BUNCH OF SENIORS?' ASKS JANE WALSH, DEPUTY DISTRICT ATTORNEY, BOULDER COUNTY, COLO.

responding to multiple sweepstakes prize offers, including one for \$2.5 million from "Global International Sweepstakes." Jolene consulted her father's doctor, hoping he would declare her father incompetent so that she could take over his finances, but the doctor didn't see signs of cognitive decline. Legally her father was able to carry on.

"I'd be at the house, and he'd get a call," Jolene says. "They'd tell him to wire the money right away. He'd run out the door to send it, and I'd run after him. I still could not stop him.

"He was so deeply invested in it that he didn't want to believe it was a lie," she adds. "It became a kind of addiction."

"The victims I deal with would not call these scammers strangers," says Deem, the FBI victim specialist. "To these people, they're their friends."

To get through to victims and encourage them to stop, Deem tries to reveal the scams' contradictions. But even when the hustlers are unmasked, some lonely victims appear not to care that they're being duped. "A woman with Alzheimer's said to me, 'If you take this away from me, what will I have to live for?'" the FBI agent recalls. "Another one said, 'His voice is like a song to me.'"

A Violation of Trust

Whether hatched around the corner or halfway around the world, these schemes often depend on the establishment of trust. Phillip Deeb, a retired meat cutter in Bradenton, Fla., trusted Dennis Cline and thus lost his life savings.

In 2006, when Deeb was 68, he responded to a mailing promoting Medicare supplemental insurance. He was sent a list of local insurance agents and selected Cline to sell him the policy. Cline soon began courting Deeb, befriend- ing him and inviting him to a holiday party. He persuaded the retiree to put

his entire \$186,000 lump-sum pension into an annuity and offered to prepare his taxes. "He seemed trustworthy," says Deeb, now 77. He admits he should have checked Cline's credentials.

In 2008 and 2009, the IRS sent Deeb notices for unpaid taxes. Cline said he would handle it. But in late 2011, the IRS put a lien on Deeb's accounts. Though Cline had asked Deeb and his wife, Mary Jane, to sign their tax forms, he hadn't filed the returns at all. Deeb owed the IRS \$20,000.

Around the same time, Deeb received a collections notice for cable television service he'd never ordered. Deeb's daughter, Deneé, and son, J.P., decided to investigate and found that Cline had used Deeb's Social Security number to arrange for the service in his own home. Suspicious, they dug deeper. They discovered that Cline had opened two more annuities. Over time, he'd gutted all three accounts, impersonating his client to gradually withdraw the funds by phone. To escape detection, he'd arranged for statements and checks to be sent to his or his father's home. The value of the annuities had dropped to zero.

Deeb's children alerted police. In November 2012, Cline was arrested, and a month later he was charged with scheming to defraud \$50,000 or more, a first-degree felony. Various delays caused the case to drag on for 14 months. The anxiety ate at the couple. Phil Deeb, recovering from surgery to his pancreas, had several panic attacks, and a few months after the case ended, he underwent open-heart surgery. "The doctor states it was due to the stress in his life," Deneé says.

Lisa Chittaro, the assistant state attorney who prosecuted the case, worried that the Deebes wouldn't live to see justice. "I've seen it happen," she says. "A defense attorney for this kind of case once told me, 'Delay is my friend.'"

Taking a Safety Show on the Road

Members of the Stop Senior Scams Acting Program, ages 60 to 97, travel to senior and community centers, churches, and synagogues to perform an education-based show. The troupe, based in Los Angeles, dramatizes a variety of senior scams, from fake diamonds sold by mail to bogus time-share offers. Founded in 2009 by



director Adrienne Omansky, the cast members are themselves victims or near-victims of such cons; they write the scripts based on their experiences. After their performances, audience members often come up to the stage to share their own tales or stories of someone they know. "They tell us things they have not told their own families," Omansky says.

In one act, a scam ring "madam" instructs five gold diggers to follow up on obituaries by visiting rich widowers. Each visits her mark, pretending to be a friend of the deceased wife, and walks away with handfuls of cash, to the tune of Abba's "Money, Money, Money." In another skit, a woman pays \$3,000 to two fake talent agents. "Betty White, move over!" she says proudly while the con artists high-five each other behind her.

Cast member Bob Eddy, who almost fell for a "mystery shopper" scheme, says his experience in the troupe has taught him one big lesson: "Don't keep it a secret," he says. "Tell somebody. You're not the only one."



ACT

Petition the top phone companies to provide customers with free tools that are currently available to stop robocalls, which can be the origin of scams. Access Consumers Union's End Robocalls petition at: EndRobocalls.org

The Fight for Justice

In search of help, families report to local police, financial institutions, and numerous government agencies and not-for-profits (see "Where to Report Abuse," on page 37). But investigations and prosecutions often fall short because of lack of training and coordination among various experts.

Investigators may be able to determine the origin of a phone call or the original IP address of an Internet operation, but by then the crooks have moved on. Paul Greenwood, San Diego deputy district attorney and head of the office's Elder Abuse Unit, notes that although Green Dot changed the loading process of its cards earlier this year to make it impossible for scammers to redeem loaded funds remotely, criminals are using other cards in their place.

And resources stretch only so far. "The feds are more interested in a global picture, with a criminal network, lots of defendants, and millions of dollars," Greenwood says. "If I brought them Beth Baker's case, for \$65,000, they'd probably laugh at me."

Yet dogged investigators can succeed. While looking into some suspicious money transfers through the mail, Brian Horne, a postal inspector based in Miami, and Frank Gasper, the FBI special agent in Bismarck, N.D., who was probing Edna Schmeets' case, discovered that they were tracking the same person: Shannon O'Connor of Deerfield Beach, Fla., who was receiving large checks from Schmeets and at least three others.

Horne and Gasper teamed up and eventually paid O'Connor a visit. She was arrested and questioned. "Initially she told

a couple of stories," Gasper recalls. "But after a 40-minute interview, she realized we knew what was happening."

O'Connor cooperated, and the investigators pieced together the workings of a network of middlemen in the U.S. collecting huge sums of cash, much of it from seniors, and wiring or flying the funds to Jamaica. Working with Jamaican law enforcement, Horne and Gasper identified 32 conspirators in the U.S. and Jamaica. They estimated that the conspiracy had collected a total of \$5.5 million from at least 70 victims across the country.

Progress on Many Fronts

As difficult as such probes can be, elder-abuse experts say they've seen some progress in how the crime is perceived and handled. Last September, for instance, the Department of

Initiatives That Could Help Prevent Elder Fraud

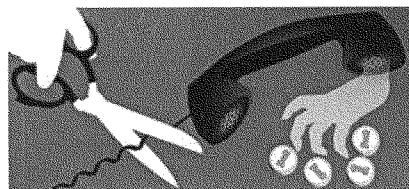
At July's White House Conference on Aging, President Barack Obama announced plans to train more prosecutors to combat elder abuse, including financial exploitation. The program is to be backed by the Department of Justice. That initiative—and possibly the first known utterance of the phrase "elder abuse" by a U.S. president—were viewed by some as evidence that the exploitation of older Americans is finally becoming part of the public discourse. But a problem with so many dimensions needs to be addressed on multiple levels.

All telecom companies should offer call-blocking technologies. The systems would enable their customers to help stop robocalls that often generate scams. (Certain companies already offer call-blocking services for some Voice over Internet Protocol, or VoIP, services and landlines.) Recently, attorneys general in 44 states and the District of Columbia asked five major companies—AT&T, CenturyLink, Sprint, T-Mobile, and Verizon—to offer

the service. Consumers Union, the advocacy arm of Consumer Reports, has actively campaigned for the measure; more than 450,000 consumers have signed Consumers Union's End Robocalls petition to the top phone companies to provide those tools to consumers at no charge. (Access the petition at EndRobocalls.org.)

States could pass new, targeted civil statutes.

In all states, victims can sue known con artists in civil court for fraud, misappropriation, breach of fiduciary duty, and other causes of action. But a senior fleeced of \$20,000 by his accountant might not find a lawyer willing to file a suit over such a relatively small sum, says Jane Lee, director of the Financial Crime Resource Center at the National Center for Victims of Crime. But in the five states with elder-financial-exploitation civil laws—Arizona, California, Florida, Hawaii, and Oregon—victims who sue can recover attorney fees and get treble damages, among other benefits. If that innovation were copied nationwide, more victims



might seek justice in both civil and criminal courts, Lee says.

More physicians could be trained to spot the warning signs of abuse. That evaluation could become part of regular medical checkups. As with suspected child abuse, doctors should know where to report their concerns. (Currently, medical professionals who routinely work with the elderly are being trained in that skill through Baylor College of Medicine's Elder Investment Fraud and Financial Exploitation Prevention Program.)

More elder-abuse task forces should be established. The

entities, composed of local and federal law-enforcement officers, prosecutors, financial institutions, adult protective services, and others involved in elder protection, would enable professionals in a community to share information more quickly, aiding in investigations and prosecutions. Page Ulrey, senior deputy prosecuting attorney for the King County, Wash., prosecuting attorney's office, suggests that every state or county attorney's office should have a dedicated elder-abuse prosecutor. "We're so far behind in how we're approaching this problem," she says. "We're not thinking of it as the paramount and pressing issue that it is."

Justice launched a website (justice.gov/elderjustice) that includes a database of publicly filed documents used in elder-abuse, neglect, and exploitation cases so that prosecutors can share strategies.

Most statutes related to elder financial exploitation are at the state level, and several states have recently acted to beef up those laws. Maine added financial exploitation to its definition of elder abuse. Ohio is considering a bill to require financial institutions and their employees observing suspected elder abuse be "mandated reporters" to law enforcement; almost all states offer immunity from liability to those who report the crime.

Missouri recently allowed stock brokerages suspecting elder fraud to refuse to process a senior's trade request or transaction for up to 10 days. New York is considering a similar bill for banks.

Financial institutions have begun training personnel to identify and report signs of elder fraud. Wells Fargo Advisors, the megabank's brokerage arm, now trains all of its employees to be mandated reporters. Businesses have sprung up with products to help prevent the abuse (see "Build Your Own Safety Net," on page 33).

Improved coordination with foreign countries has helped. Jamaica, a known hotbed for lottery scams, passed a law in March 2013 to make it easier to prosecute scammers. Shortly after, Sanjay Ashani Williams, 25, a "lead list" seller from Montego Bay, Jamaica, flew to Charlotte, N.C. There was an arrest warrant out for

him, and he was apprehended. One of his victims was Edna Schmeets.

The Power of Speaking Out

A powerful tool in the arsenal of elder-abuse prevention is awareness.

Publicity—such as the 2009 conviction of Anthony Marshall for stealing millions from the estate of his mother, philanthropist Brooke Astor—is making elder fraud more visible. Numerous government agencies and not-for-profits offer educational websites and literature. But seniors themselves may be the most powerful teachers. When they bravely tell their stories, peers listen (see "Acting Out for Justice," on page 35).

In late April, in federal court in Bismarck, Edna Schmeets took the stand to testify about suffering at the hands of the lottery schemers. She knew she would see Sanjay Williams face to face. "She was concerned about her safety," Lisa recalls. "But she was a champ."

Righting the Wrongs

Elder-fraud cases are sometimes resolved, but victims don't always get their due. In January 2014 Dennis Cline was convicted of defrauding \$50,000 or more. He went to prison and was ordered to pay \$94,442 in restitution to Phillip and Mary Jane Deeb. But the Florida Department of Corrections says Cline is behind in payments to the Deebes since his February release. To make ends meet, Phil Deeb—who had lost his life savings in the fraud—had to return to the Publix meat counter. Then he became too sick to work. "It breaks down your body," Deeb says of the experience. "You become sicker than you were."

Edna Schmeets didn't get her money back, which leaves her bitter. But in May, she learned that Sanjay Williams had been found guilty of conspiracy to commit wire fraud or mail fraud, conspiracy to commit money laundering, and 35 counts of wire fraud. Sentencing is scheduled for early October. He faces a potential 40 years in prison.

Greenwood says the Beth Baker investigation is ongoing. Baker doesn't expect that she'll get her money back, and she's

fortunate that her loss didn't jeopardize her retirement. Like Schmeets, she now has her children's names on her bank accounts and lets them periodically check her transactions. She says she's satisfied if her words help protect others.

"These people are willing to take the stand in a public forum and talk about something embarrassing in order to help bring people to justice and stop the fraud," says Assistant U.S. Attorney Clare Hochhalter, the lead prosecutor against Sanjay Williams in North Dakota. "They are heroes to us."

"I don't feel like a hero," Baker says. "But I'm thankful if I can keep somebody else from being fooled."

Where to Report Abuse

AARP's scams and fraud page

(member.aarp.org/money/scams-fraud) offers information on the latest frauds against older people.

Consumer Financial Protection Bureau's Office of Financial Protection for Older Americans (consumerfinance.gov/older-americans) receives and investigates consumer fraud complaints specifically related to mortgages, credit cards, banks, loans, and more.

Financial Fraud Enforcement Task Force's stopfraud.gov/report.html

is a first stop when reporting a scam. The site also has numerous resources for seniors and family members.

National Adult Protective Services Association (napsa-now.org/get-help/help-in-your-area) has a national map with links to abuse-reporting hotlines by state.

National Center on Elder Abuse

(ncea.aol.gov; click on Stop Abuse) has state directories of help lines and elder-abuse-prevention resources in all 50 states and the District of Columbia.

Senate Special Committee on Aging toll-free hotline (855-303-9470) can refer victims and families to resources for assistance. Or go to aging.senate.gov/fraud-hotline.

For more resources, go to ConsumerReports.org/elderscamsupdate


SHARE

Have you, a friend, or a family member been the victim of an elder scam to steal money or property? Did you or the person you know fight back? Share the story with us on our Facebook page:

[facebook.com/ConsumerReports](https://www.facebook.com/ConsumerReports)





